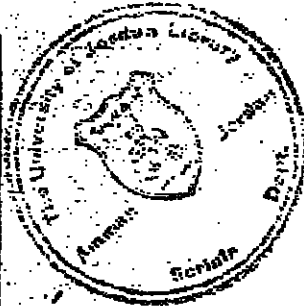


3 Lebanese  
Jews slain  
by Shi'ites

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# THE JERUSALEM POST

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The cardinal's  
an easy target  
for controversy

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## Disarray in prices predicted as new rules begin today

By MICHAEL YUDELMAN  
and KEN SCHACHTER  
Jerusalem Post Reporters

TEL AVIV — Confusion is likely to reign today in appliance stores, new car showrooms and other shops, following a decision by the Ministry of Industry and Trade yesterday not to set maximum prices on the imported goods whose customs levies drop by 60 per cent today.

The only exceptions to the rule are new cars with engines of 1600cc or more, which will continue to be regulated, although ministry officials yielded to importers' demands and announced that profit margins on the sale of most such cars would be increased.

On private cars and taxis of 1600cc or more, controls will be lifted.

The car-pricing policy, signed by Finance Minister Moshe Nissim and Transport Minister Haim Corfu, will allow importers an 18 per cent profit margin on cars with 1600cc engines or smaller, widening the margin on many models and maintaining current levels on others.

On the whole, however, all cars of between 1300cc and 1600cc will be cheaper, while those smaller than 1300cc will be more expensive.

Aryeh Carasso, president of the Car Importers' Association, welcomed the lifting of price controls on some cars, but said that the profits of Israeli importers are still small compared with the 25-40 per cent earned by U.S. importers.

He acknowledged, however, that the new policy substantially boosts the 13 per cent markup importers have been allowed on cars up to 1300cc during the last two years.

A final list of car prices will be published by the government within the next few days. Included in the list of maximum prices will be commercial vehicles of up to 4.5 tons.

An initial "government" price list drew protest from importers who

said that their substantial investments required that they maintain an adequate profit margin.

For items other than cars each importer and merchant will have to calculate the price according to the customs reduction.

"Consumers, too, will have to make their own calculations. They will face the difficulty, however, of being unfamiliar with the different reduction rates of each product and with the former prices as they figure out the new prices.

"Let consumers do some market research before they buy, and refrain from buying hastily," was the advice of Industry and Trade Ministry deputy-director general David Brodet.

He said the ministry had reached an understanding with the big marketing networks and the Federation of Chambers of Commerce, to ensure that the customs reductions benefit the consumer, instead of disappearing into middlemen's pockets.

The ministry decided not to set maximum prices, Brodet said, because thousands of items are involved. Theoretically, he explained, maximum prices do exist. These are the products' former prices, minus the tax reduction.

If the ministry finds that importers and merchants are abusing the tax reductions for their own profit, it will impose price controls and publish maximum prices for certain products, ministry sources said yesterday.

Asked how a consumer is to know the correct price of a product, Brodet replied: "And how did you know the correct price until now? These are products for which no maximum prices were set."

Asked why certain products will be reduced by a greater percentage than others, Brodet said that this was

(Continued on Page 2, Col. 4)

## Agreed budget cuts: NIS 230m.

By MICHAEL YUDELMAN  
Post Economic Reporter

The economic inner cabinet has agreed on NIS 230 million in cuts from the state budget. But it is still at odds over the NIS 250m. in cuts that the Finance Ministry proposed making in the budgets of the Defence, Health and Education Ministries.

The Labour Party strongly opposes the additional cuts, and has even proposed in their stead a one-year extension of the levy on private cars and an increase in purchase taxes.

The economic inner cabinet — comprising Prime Minister Shamir, Vice Premier Shimon Peres, Finance Minister Moshe Nissim and Economics Minister Gad Ya'acobi — were empowered by the cabinet plenum to decide on all the cuts, and were to have reached final decisions by Tuesday. The lack of a comprehensive accord could force them to ask the cabinet plenum to decide on the still disputed cuts.

The economic inner cabinet may meet today to try to reach an accord on further cuts.

## Solel Boneh sells its subsidiary for \$90m.

By PINHAS LANDAU

In a dramatic year-end deal, Solel Boneh yesterday sold its Diyar subsidiary to Bank Hapoalim for \$90m. It will use the proceeds to reduce its debt by that amount.

The troubled Histradut construction concern will now be able to lower its debt by an estimated 20 per cent, improve its balance sheet, and meet the asset-sale targets imposed on it by agreements with the government and banks signed four months ago.

Hapoalim, for its part, has slashed its exposure to Solel Boneh by one-third, and acquired at today's low prices a portfolio of real-estate spread throughout the country. The bank intends to sell off this land, possible after improvements including

residential building in some cases, over the next several years.

Both sides are thus understandably delighted at the deal, which one source described as "very complex, but brilliantly conceived and executed."

Solel Boneh was under pressure to sell a large chunk of its assets, which meant it would have received unrealistically low prices in a "fire-sale" atmosphere. The agreement with Hapoalim was based on valuations of the real estate owned by Diyar as by independent assessors, and "realistic estimates of realistic values based on market prices in the long term," according to a statement issued by Bank Hapoalim night.

## Sakharov meets Ida Nudel

MOSCOW (Reuters). — Soviet physicist Andrei Sakharov, released last month from internal exile, yesterday received two long-suffering Jewish would-be emigres in his Moscow flat. This was seen as a further indication that he intends to continue fighting for human rights.

The 65-year-old Nobel Peace Prize winner, who returned from the closed city of Gorky with his wife Yelena Bonner on December 23, chatted in his kitchen with his old friend Ida Nudel, and with Inna Meiman, the cancer-stricken wife of a colleague, whom he was meeting for the first time.

Nudel, 55, who is effectively exiled to the village of Bendery in the

Soviet republic of Moldavia, fled here yesterday morning to meet Sakharov and spend New Year's Day in the capital.

Meiman, 54, who is dying from a tumour on the neck, wants to emigrate to the U.S. with her mathematician husband, Prof. Naum Meiman, 74, who with Sakharov monitored Soviet compliance with the Helsinki accords during the 1970s.

The scene around the kitchen table, strewn with New Year's gifts of sweets and flowers from well-wishers, was reminiscent of the time before Sakharov was exiled in 1980, when he ran what amounted to a legal advice centre for dissidents.

## Lavi jet makes its maiden flight



The Lavi takes off on its maiden flight.

(IAI)

## Test a success, but funding still in doubt

By HIRSH GOODMAN  
Post Defence Correspondent

The Lavi fighter yesterday made a 26-minute maiden flight during which the prototype, nearly seven years in development, "performed beyond expectations," according to chief test pilot Menahem Shmul.

After a morning of tense consultations against worsening weather conditions, the IAI, the Lavi's prime contractor, decided to give Shmul the go-ahead for take off at 1:31 p.m. — a mere ten-and-a-half hours before the expiration of an IAI promise to have the Lavi in the air in 1986.

The jubilation over the Lavi's maiden flight at the IAI yesterday was muted by the question marks about the future of the fighter on which \$1.2 billion has already been spent. Dr. Dov Zakheim, the Pentagon official responsible for assessing the Lavi programme, is expected to arrive in Israel shortly with an alternate offer based on a modified F-16. One defence ministry official told *The Post* this week the offer "is going to be hard to refuse."

Pressures on the defence budget that have developed in recent months have also led to new questions in both the IDF and the defence establishment regarding the continued viability of the project that will cost another \$4.5 billion before the Israeli air force receives its first Lavi in the next decade.

The uncertainty over the Lavi's future was accentuated at a post-maiden flight ceremony by Defence Minister Yitzhak Rabin yesterday. "Though this is a day of celebration, the Lavi's future is dependent on two governments: Israel and the U.S.," he told the hundreds of IAI workers, indicating in this way that the future of the plane was not entirely, or even primarily, in the hands of the government of Israel. (The U.S., by act of Congress, currently provides \$300m. for the plane's development.)

Rabin was not present at the actual maiden flight yesterday, arriving after the completion of the flight. Chief of Staff General Moshe Levy was also absent. The flight was witnessed by O.C. Air Force Amos Lapidot and Minister Moshe Arens, a staunch supporter of the project, outside IAI officials.

Despite the questions, however, the satisfaction of the IAI yesterday when Shmul touched Lavi prototype #2 down at Lod at 1:47 p.m., after reaching a maximum ceiling of 12,000 feet, was absolute. The cheering of hundreds of men and women involved in the project, and hundreds more who lined the roads surrounding Ben-Gurion Airport, greeted Shmul as he taxied up to his final position at the eastern end of the runway to be doused with fizz

from dozens of bottles of champagne.

For the past two months many of those there to receive the plane had worked around the clock to witness this moment.

"Even if this is the end of the road, our achievement has been fantastic," one senior IAI executive said.

"We have taken a giant step forward," said IAI president Moshe Keret. "We are surer than ever before," he told a press conference last night, "that we can carry out the task we have been charged with on behalf of the Israeli Air Force."

Keret has been under extreme pressure since mid-September when the Lavi's maiden flight had been originally scheduled. The delay, caused primarily by a failure by the American Lear-Ziegler company to deliver the Lavi's flight-control system on time, played into the hands of the Lavi's critics.

Describing the flight yesterday Chief Test Pilot Shmul, a 41-year-



Test pilot Menahem Shmul addresses a press conference after his flight yesterday.

(Brutmann/Media)

old Israeli Air Force veteran with over 5,000 hours logged as a test pilot, said that he had taken off at 10 knots under the ground speed he had expected, indicating that the plane had excellent aerodynamic and thrust qualities. With the wheels down for the entire flight he first took the plane up to 5,500 feet, due to a low cloud ceiling at 6,000 feet, and then to 12,000 feet finding a "blue hole" through a cloud.

The main purpose of the flight, Shmul said, was to test the Lavi's responses. The plane responded beyond expectations, he said.

He explained that unlike other aircraft — and I have flown most of them — the Lavi's controls are not mechanically operated by the pilot and his stick, but by a "brain" in the centre of the aircraft that makes all the calculations. "It performed better than in simulation," he said. The next test flight, he said, would be within days, weather permitting.

## 'Won't lend my hand to fake conversions' Likud launches drive to persuade Peretz to retract resignation

By DVORAH GETZLER  
Post Knesset Reporter

In words that echoed Biblical wrath more than national political realities, Interior Minister Yitzhak Peretz told the Knesset yesterday that he had sent Premier Yitzhak Shamir a letter tendering his resignation from the cabinet. The letter by the leader of the ultra-Orthodox Sephardi Shas Party said: "I am doing this in order not to register Ms. Susan Miller as a Jew, which is what the High Court of Justice has asked of me... I will never lend my hand to registering fake conversions."

Peretz wrote that a number of "solutions" to circumvent the problem had been suggested to him, but he thought it had to be confronted head-on. "Blessed is he who sanctifies the name of the Holy One in public.... Reform conversion is in no sense of the word a conversion, and has no meaning. It is an illusion."

In a Knesset term distinguished only by its desultoriness, an air of mounting drama dominated the business of the plenum prior to the mid-day announcement.

Peretz's wife sat in the VIP gallery, easily identifiable in a bright green kerchief, and surrounded by other modestly dressed women.

The plenum chamber filled slowly, with more than the usual comings, goings and whispered consultations.

Few MKs heeded the long list of written and oral parliamentary questions posed to Defence Minister Yitzhak Rabin and Deputy Finance Minister Adi Amorai. Everyone knew the real show was still to come.

As Amorai wound up the answer to his last questioner, Speaker Shlomo Hillel called on Citizens Rights Movement MK Shulamit Aloni to put her oral question to Peretz.

Aloni wanted to know what the minister intended to do about the High Court ruling in the Miller case

(Continued on Page 2, Col. 7)

By ASHER WALLFISH  
Post Knesset Correspondent

The Likud yesterday began efforts to persuade Interior Minister Yitzhak Peretz, the Shas Party leader, to withdraw his resignation from the government.

Although Peretz announced his resignation from the Knesset yesterday, it will only take effect on Tuesday morning at the earliest.

The minister's move provoked a crisis in relations between the ultra-Orthodox Shas Party and its Likud mentor. But parliamentary observers emphasized that the move had not caused a coalition crisis.

Rabbi Aryeh Deror, director-general of the Interior Ministry and Peretz's closest confidant, told *The Jerusalem Post*: "We haven't said anything about leaving the coalition. We're leaving [a decision on] that till next week."

After Peretz sent his letter of resignation to Prime Minister Shamir at 11 a.m. yesterday, Shamir sent urgent messages to Peretz, asking him to delay any announcement until a meeting could be arranged. Peretz declined.

Shas accused the Likud for the second day running of breaking its commitment to push a regulation

through the Knesset Law Committee enabling the registration of a new category, "border nationality," on identity cards.

In Shas's view, this would have solved the problem of Shoshana Miller, who was converted to Judaism by a Reform rabbi in the U.S. and immigrated to Israel. The 30 days the High Court gave Peretz to register Miller as unqualifiedly Jewish expire next Monday. Shas had hoped the Law Committee would authorize a regulation whereby Miller would be registered as "Jewish, formerly Christian."

The Basic Law: The Government prescribes that a minister wishing to resign must notify the government of his intention to do so, then hand the prime minister his letter of resignation, from which time 48 hours must elapse before the resignation takes effect.

Peretz's announcement to the Knesset has no constitutional significance. He has to make the announcement at the next cabinet meeting, presumably on Sunday morning, and then count 48 hours.

At the same time, by jumping the gun and telling the Knesset before he told the government, Peretz has inadvertently drawn attention to a slight ambiguity in the law. He may

(Continued on Page 2, Col. 5)



Interior Minister Yitzhak Peretz in the Knesset yesterday.

(Yaron Karmi/Post)

## U.S. to present its five 'alternatives'

By WOLF BLITZER  
Jerusalem Post Correspondent

WASHINGTON. — The U.S. Defence Department will next week present to Israel five "very attractive" alternatives to the production of the Lavi jet aircraft, U.S. officials said yesterday.

The five basic options, they added, will include an additional 19 possible "variations," all of which are designed to maximize employment levels in Israel and to save money in the process.

The package of alternatives, the officials said, included U.S. — Israeli co-production of F-16, F-18 or AV8 Harrier aircrafts specially fitted with "homemade" Israeli-designed Lavi avionics.

The Americans believe that a co-produced alternative to the Lavi could begin service in the Israeli Air Force long before the first Lavi would be ready, and that Israel would also have a "proven" fighter, almost certainly superior to the Lavi.

(Continued on Page 2, Col. 1)

## Future of Israel science said in doubt

By BERNARD JOSEPHS  
Jerusalem Post Reporter

A gloomy picture of Israel's scientific future, with droves of talented researchers abandoning the country for sweeter pastures overseas, was painted yesterday by the country's top scientist.

"We are facing a very serious situation which must be remedied at once," said Prof. Yehoshua Yortner, recently appointed president of the Academy of Sciences and Humanities.

He was speaking in Jerusalem a day after the academy's general meeting called for a big government boost in direct grants to scientists engaged in basic research.

An average American university spends around \$90 million a year on basic research, he said. Last year, Israel invested \$10m.

By failing to finance research, warned Yortner, the country was mortgaging its scientific future. "What is happening now will be reflected in 10 to 15 years. How we will fare scientifically in the year

2000 is being decided at this moment."

Israel's present scientific successes, seen in its electronics, aircraft and chemical industries, was the result of investment in basic research during the '50s and '60s, he said.

"Then we were pioneers in such things as computers and biotechnology. Now, I am sorry to say, the situation is very different."

Yortner complained that constant cutbacks in government support for the universities since the 1970s was already being reflected in the number of young, talented scientists who are conducting their research in the U.S. and Western Europe.

He described some of this as "hidden" emigration, and cited the case of a brilliant Technion inventor who is now teaching at the Haifa institution but conducting his research in the U.S.

This type of situation had resulted in a rich crop of potentially profitable Israeli-invented patents falling into the hands of foreign companies. "We are losing a whole generation

of talent," said Yortner. "We can't compete with the U.S. in terms of salaries and living standards, but we could give these people much improved conditions in which to carry out their research at home."

The academy, said the professor, was now calling on the government to set up a scientific research fund to provide grants of \$20m. a year for the next three years, with the aim of halting the brain drain.

"We have done our homework and we believe that this is what is needed. We just hope the government will understand the importance of what is happening," he said.

But more than cash was required to turn the corner and return to the days when Israeli scientists were world leaders, he added.

"We also need a change in atmosphere. In Ben-Gurion's days he once ordered a cabinet meeting to be held at the site of an experiment in solar energy because he was so enthralled by the project. That is the kind of enthusiasm we need today."

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## The weather at major Swissair destinations

	31.12.86	MIN.	MAX.
AMSTERDAM	8	4	12
BRUSSELS	2	3	10
CHICAGO	1	30	42
COPENHAGEN	2	28	34
FRANKFURT	7	45	59
GENEVA	0	32	46
HELSINKI	-14	7	10
HONGKONG	18	66	72
JERUSALEM	13	29	35
LONDON	8	46	52
MADRID	8	32	39
MONTREAL	2	28	34
NEW YORK	1	34	40
ORLEANS	-14	4	11
PARIS	9	47	52
SAO PAULO	17	62	69
STOCKHOLM	-13	9	23
TORONTO	2	28	34
ZURICH	5	36	42

\*For the latest weather conditions contact Swissair.

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### THE WEATHER

Forecast: Partly cloudy, possibility of local showers.

	Yesterday's	Yesterday's	Today's
	Humidity	Min-Max	Min-Max
Jerusalem	76	6-11	12
Golan	74	6-8	12
Nahariya	83	13	14
Haifa	98	4	10
Haifa Port	80	14	15
Tiberias	70	8-16	17
Nazareth	70	8-16	17
Afula	81	7-14	15
Shimon	77	6-13	14
Tel Aviv	78	10-17	18
B-G Airport	72	9-15	16
Jericho	47	11-20	21
Gaza	57	10-18	18
Beer Sheva	54	6-16	17
Eilat	25	7-20	21

### SOCIAL & PERSONAL

Dr. Dov Golan, formerly medical director of Haifa's Rothschild Hospital, yesterday became director-general of the Health Ministry, replacing Prof. Dan Michaeli, who is returning to Tel Aviv to direct the city's municipal hospitals.

Prof. Amotz Zehavi of Tel Aviv University will speak about cooperation between birds at the Rotary Club meeting at the Tel Aviv Hilton this afternoon at 1:15.

Former U.S. Senator Richard B. Stone will be guest speaker at the Scholarship Dinner of Mizrahi Western Olim, tonight at 6:30 at the Ramada Renaissance Hotel, Jerusalem.

### Three hurt as bottles hit bus in north J'lem

Three passengers on a No. 25 Egged bus were slightly hurt by flying glass yesterday evening, after two bottles were thrown at the vehicle at the entrance to Neve Ya'akov, on the main road north of Jerusalem. Police said the bottles did not appear to have contained petrol. (Itm)

### New airport for Eilat

The Israel Lands Authority council has agreed to allocate land for a new airport in Eilat, the council's head, Agriculture Minister Arye Nehamkin, announced yesterday. The airport will be located north of the current one, which will be sold. Proceeds from the sale will go towards the construction of the new facility.

### Policeman to be charged in Boot case

TEL AVIV (Itm). - Police Inspector-General Rav-Nitzav David Kraus has decided that charges should be brought against the policeman who last month allegedly assaulted a city inspector who put a Denver Boot on a police car. He will be charged with unjustified arrest, using excessive force, not being in uniform while on duty, and not carrying proper identification papers.

(Continued from Page One)

Each of the basic options will reportedly cost less than the Lavi, and will thus enable Israel to spend more money on other defence-related programmes, including the possible co-production with the U.S. of new diesel-engine submarines. "Our alternatives will free up a lot of money for other projects," a U.S. official said.

The Pentagon's alternative study will be formally presented to Defence Minister Yitzhak Rabin next week by a high-level U.S. delegation headed by the deputy under-secretary of defence for policy and resources, Dr. Dov Zakheim. The U.S. team is due in Israel on Sunday and will remain in the country until Thursday.

Zakheim and his associates have long been critical of the entire Lavi programme, concerned that it will ultimately cost Israel too much. They fear that Israel will then press the U.S. for more financial assistance to cover the Lavi-related expenses.

The U.S., in recent years, has already earmarked more than \$1.5 billion in foreign military sales grants to Israel for the research and development of the Lavi in the U.S. and in Israel. Some 730 U.S. companies have already signed \$850m.-\$900m. in contracts for the Lavi.

Earlier this year, the Pentagon, fearing possibly huge cost overruns, completed its own cost estimate of

## HOME AND FOREIGN NEWS

# Government to host Cardinal O'Connor at Yad Vashem

By HAIM SHAPIRO

Jerusalem Post Reporter

New York Cardinal John O'Connor, who is expected to arrive in Israel today, will be "the guest of the Israel government for a visit to Yad Vashem and a meeting with Religious Affairs Minister Zevulun Hammer," a Catholic church official in Jerusalem said last night.

The remainder of the cardinal's four-day visit is to be of a "religious and private nature," said the official, who asked not to be identified. Israeli officials and Jewish leaders in New York have expressed their dissatisfaction with what they say is Vatican interference in the cardinal's plans to meet with President Herzog and Prime Minister Shamir in Jerusalem.

But the prelate is to meet with Jerusalem Mayor Teddy Kollek at City Hall, and will attend a discussion of Jews and Christians active in interfaith dialogue. The latter, in particular, is being described as a move to soothe Jewish sensitivities.

## SLA recruitment drive may hurt Israeli firms

By DAVID RUDGE

Jerusalem Post Reporter

METULLA. - New regulations barring South Lebanese men of army age from taking up "lucrative" jobs in Israel, are likely to hurt Israeli employers as much as the workers and their families. The Jerusalem Post has learned.

Israeli businessmen fear that the orders will deprive them of a cheap and diligent labour force, on which many of them had come to rely over the years. They have called on Metulla Mayor Yossi Goldberg to thwart the implementation of the regulations, due to take effect this month.

The orders, drawn up by the South Lebanese Army commander, General Antoine Lahad, and by South Lebanese officials, are aimed at boosting the SLA's ranks, which have been depleted by desertions and resignations. The soldiers are paid only \$100-\$150 a month. In Israel, however, they earn up to three times that amount, without having to risk their lives.

Nearly 1,000 South Lebanese cross into Israel daily to work on farms

and in textile firms. They mainly perform menial tasks for which there are always vacancies. With the Lebanese economy in continuous crisis, demand for jobs in Israel is high.

Under the new regulations, males between the ages of 17 and 45 will not be allowed to work here. The Lebanese authorities are also demanding that those seeking jobs in Israel must have close relatives serving in the SLA.

Israeli farmers in particular fear that a cut-back in the number of Lebanese workers will harm their profits.

Reuven Weinberg, who runs the three-star Sheleg Halevanon Hotel in Metulla, said his entire staff consists of Lebanese workers. At the height of the season, Weinberg employs 15 Lebanese, whom he collects from the Good Fence border crossing every day. The workers are paid the equivalent of \$11 a day.

Weinberg, whose 40-room hotel is the biggest in Metulla, said he was very satisfied with his Lebanese workers and would hate to lose them.

Shamir, said Gur, must bear the responsibility for mutilating the country's legal system and for affording the world a view of the IDF and the Shin Bet as cold-blooded killers.

In his days as chief of general staff, Gur said, the prime minister had always been kept fully in the picture. That was how affairs should be conducted if Shamir wanted to run a government and not an organization.

The affair might be over from the legal point of view, he said. But the moral aspects could not be swept under the carpet, and there were those in the Knesset and elsewhere who would not allow it.

For Granot, it was a question of covering up "an act of murder." Of the ministers involved, only Ezer Weizman, said Granot, had opposed the pardons granted the Shin Bet men involved in killing the captured Arab hijackers and deceiving successive inquiry commissions.

## ALTERNATIVES

the Lavi. It concluded that the production of 300 Lavis over the next 20 years would wind up costing Israel about \$22m. per plane. This compared with Israel Aircraft Industries' estimate of \$15m. per plane.

In disputing the Pentagon's figures, Israeli officials argued that the Pentagon had been opposed to the entire Lavi project from the start. U.S. Defence Department officials, they said, were clearly anxious to see Israel purchase more U.S.-made planes instead.

But the Pentagon was repeatedly overruled by many of Israel's best friends in Congress, who lobbied hard for the Lavi funding, and ultimately by Secretary of State George Shultz and other administration policymakers who reluctantly came around to support the Lavi.

In recent months, however, even Shultz and these others have had "second thoughts" about the Lavi. They have raised fears that the plane might simply be too ambitious and expensive for Israel's limited capabilities and might overly drain its overall defence budget.

The General Accounting Office (GAO), a branch of the U.S. Congress, has recently been deeply involved in preparing its own cost estimates on the Lavi. Many administration officials and congressmen have been anxiously awaiting its conclusions.

since most interfaith activists, including Roman Catholics, are supportive of Israel.

During his visit, O'Connor will celebrate Mass at St. Saviour's, the parish church of the Old City of Jerusalem, visit the Church of the Holy Sepulchre, and go to Bethlehem. He will also tour Galilee and visit the Gaza Strip.

His tour is expected to include a number of sites associated with the work of the Catholic Near East Welfare Association, which he heads. The organization concentrates most of its activities among Palestinian refugees.

In statements made in Jordan on Tuesday, O'Connor advocated a dialogue between Middle East "partners" to achieve peace in the region and spoke of an international Middle East peace conference, to be conducted perhaps by the Vatican. He also spoke of Palestinian "self-determination," although he apparently deliberately failed to explain what he meant by the term.

By JOEL GREENBERG

Jerusalem Post Reporter

Fatah supporters have suffered a stinging defeat in student elections at Hebron University on the eve of Fatah Day, today's anniversary of the first Fatah attack on Israel. Elections results published yesterday showed that the Islamic Bloc had won eight out of nine seats on the student council. The Fatah-led "Maghdousheh Martyrs' Bloc" won only a single seat, after previously controlling all seats on the council.

The bloc also included supporters of the Popular Front for the Liberation of Palestine and other radical Palestinian groups. The balloting was held Tuesday with an 84 per cent reported voter turnout.

Informed observers said yesterday the election results did not indicate a sudden surge of Islamic sentiment on the campus, where religious feeling has traditionally run high. The Islamic Bloc controlled the student council two years ago.

The pro-PLO *Al-Fajr* newspaper yesterday did not publish the election results, and *Al-Shaab*, also pro-PLO, relegated the news to its back page.

Industry Minister Ariel Sharon yesterday approved a 3 per cent reduction on buyers' deposits, which will now be 12 per cent. The deposits will be reduced by a further 3 per cent every three months until they are eliminated.

The prices of certain products from countries with which Israel does not have a customs reduction agreement, including Sweden, Finland, Japan and Spain, have also

been reduced.

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## Shi'ite group claims it executed three Lebanese Jews

# Shamir: Israel will punish murderers

Post Middle East Staff and Agencies

Prime Minister Shamir yesterday vowed that Israel would punish those responsible for the murder of three Lebanese Jews announced in Beirut on December 30.

"Again these barbarians used defenceless Jews as a means of hitting at Israel," Shamir said in an address to the World Gathering of Jewish Students in Jerusalem. "They must know that any attack on Jews will not go unpunished. We will seek them out and they will pay the penalty."

In Beirut, a Shi'ite group that claimed responsibility for the executions threatened to continue killing Lebanese Jews until Israel pulls out of South Lebanon.

"We announce the execution of three spies for the Israeli Mossad," said a statement, issued in the name of the "Organization of the Oppressed in the World," and delivered on Tuesday night to Beirut's independent *An-Nahar* newspaper. The statement named the three victims as Yusef Yehuda Beneshi, Elie Srour and Henry Men. It did not say when or where the killings took place.

The statement was accompanied by black-and-white photos of the three captives. They were shown looking drawn and haggard.

An Israeli Foreign Ministry spokesman yesterday expressed "shock and sorrow" at news of the reported killings.

"The gratuitous murder of three innocents reveals the true nature of terrorist movements in Lebanon," the Foreign Ministry spokesman said.

## Pro-Fatah students lose in Hebron

By JOEL GREENBERG

Jerusalem Post Reporter

Fatah supporters have suffered a stinging defeat in student elections at Hebron University on the eve of Fatah Day, today's anniversary of the first Fatah attack on Israel.

Elections results published yesterday showed that the Islamic Bloc had won eight out of nine seats on the student council. The Fatah-led "Maghdousheh Martyrs' Bloc" won only a single seat, after previously controlling all seats on the council.

The bloc also included supporters of the Popular Front for the Liberation of Palestine and other radical Palestinian groups. The balloting was held Tuesday with an 84 per cent reported voter turnout.

Informed observers said yesterday the election results did not indicate a sudden surge of Islamic sentiment on the campus, where religious feeling has traditionally run high. The Islamic Bloc controlled the student council two years ago.

The pro-PLO *Al-Fajr* newspaper yesterday did not publish the election results, and *Al-Shaab*, also pro-PLO, relegated the news to its back page.

## DISARRAY

(Continued from Page One)

due to a combination of customs duties, purchase tax and other components and a different rate of reduction in each.

Industry Minister Ariel Sharon yesterday approved a 3 per cent reduction on buyers' deposits, which will now be 12 per cent. The deposits will be reduced by a further 3 per cent every three months until they are eliminated.

The prices of certain products from countries with which Israel does not have a customs reduction agreement, including Sweden, Finland, Japan and Spain, have also

been reduced.

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These pictures of three Lebanese Jews were delivered to a news agency in Beirut Tuesday along with a statement that they had been executed. Left to right: Henri Men, whose disappearance had not been reported, Elie Srour, kidnapped in March 1985, and Yusef Yehuda Beneshi, kidnapped in May 1985.

The kidnappers' statement to *An-Nahar* accused the three hostages of having supplied Israel with information on Islamic Resistance, a coalition of Lebanese groups against Israel.

"They were executed in retaliation for Israel's attacks against the south and western Beka'a [Valley] and the terrorist attacks against our people in occupied Palestine," the statement added.

The statement offered to give up the bodies of the three "executed" men if Israeli forces stopped all attacks on Lebanon and left the South Lebanon security zone. It also

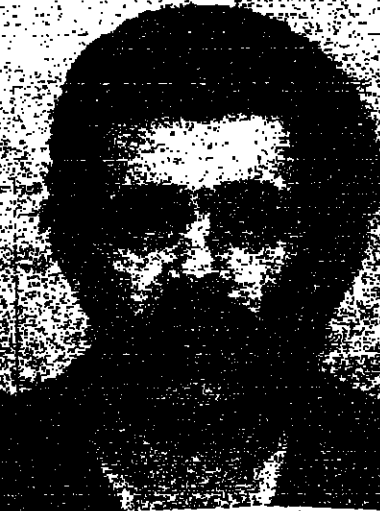


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## Fiery debate in Knesset over secular new year celebrations

By DVORAH GETZLER

Post Knesset Reporter

Last night's celebrations of the new year in the nation's hotels agitated secular and religious extremes in the Knesset plenum yesterday.

Citizens Rights MK Shulamit Aloni and Shiniui Mordechai Virshupski claimed that the rabbinate was misusing the law requiring *kashrut* observance to coerce hotels into strict observance of halacha on other issues.

Morasha's Avraham Verdiger and Agudat Yisrael's Menahem Porush both thundered against the invasion of foreign cultural mores into the nation's life.

Aloni and Virshupski affirmed their support for other rights of those who wished to observe *halacha*. But, they said, the rabbinate was not

entitled to use its power in overseeing observance of *kashrut* to make additional demands that cramped the liberty of other, non-observant people.

The rabbinate drew its power from the law, Aloni said. It should take care not to abuse it, lest aggrieved parties bring the matter before the High Court, which, she said, would surely overrule the rabbis.

Verdiger launched an attack that ranged from Foreign Minister Shimon Peres's contacts with New York Cardinal John O'Connor ("an enemy of the State of Israel"), to Kibbutz Artzi's scheduled performance of liturgical music in Jerusalem's Dormition Abbey, to the pogroms that, he said, had accompa-

nied the night of St. Sylvester abroad.

That Jews should celebrate the secular new year was, according to Verdiger, a sign of spiritual bankruptcy.

The matter will be taken up in committee.

In a related development, a New Year's Eve party, with leading performers and a belly dancer, was held last night at the Haifa Theatre after the intervention of the Haifa Magistrates' Court. The city's religious parties had insisted that municipal buildings not be used for New Year's Eve parties and urged that the planned party be held in honour of Hanukkah. The party organizer turned to the court to prevent interference.

## LIKUD

(Continued from Page One)

converted outside Israel. Peretz needs it for marriage preliminaries, more than anything else."

Although Corfu said it would still be possible to muster a majority in the Law Committee to pass the "former nationality" regulation proposal that failed to come up on Tuesday, Energy Minister Moshe Shahal, a shrewd Alignment parliamentarian, said the Alignment would continue to oppose all proposals to change the status quo on religious matters, including the "former nationality" detail.

Shahal said: "We don't especially want to see Shas out of the government, but if Shas has made up its mind, then it's the Likud's headache. There's nothing we have to do about it. Shas is their satellite, not ours."

Inside the national unity coalition, the Likud has agreements with various small parties while the Alignment has agreements with others.

Shahal agreed that Shas would not lose any state subventions if Peretz quit the government, because the Likud and Alignment would both seek to maintain good relations with

## CONVERSIONS

(Continued from Page One)

which must be complied with by next Monday.

Peretz asked permission, as a special favour, to answer from the podium, rather than the cabinet table, which is usual with oral questions. Hillel acceded.

The often noisy chamber was totally hushed as Peretz began. MKs listened in silence to his letter, and remained silent as Peretz continued to appeal to "all of you who still have a spark of pure Judaism burning in your hearts" to do everything possible to awaken the Jewish people "to the dangers of assimilation."

That in the State of Israel the Jewish law be accepted that only a person converted according to Halacha, only one designated a Jew by the Creator of the World at Mount Sinai, be recognized."

Peretz won plaudits from the religious and from the left-secular wings of the Knesset. Both factions acted for the same reason: the minister had resigned on a matter of principle, and, as Mapam's Yair Tsaaban added, he had done so in the Knesset, and not in the pages of the press or on a television screen.

Our beloved mother

## Dr. KAMILLA WELTSCH

has passed away.

She bequeathed her body to science.

Wetsch, Wieshut and Shoshan Families

Sister: Gertie Kamenoff

## GISELA WESTERBY

(née Panneck)



# Peking students stage mass march today

PEKING. — China yesterday stepped up pressure on students who have threatened their boldest protest, today, in a month of campus demonstrations for increased democracy.

All yesterday's main newspapers carried a stern warning against a march to a square in the heart of Peking, near the most important government buildings and the homes of top communist party leaders. Marches have been banned in the area.

The Peking Prosecutor's office, in a statement yesterday, accused Taiwan of telling agents to stir up trouble in China.

The rising official anger was in response to increasingly bold wall-posters illegally pasted up on Tuesday night at a Peking campus. The posters challenged the rule of the Communist Party and urged students to "destroy" a ban on unapproved demonstrations.

Students on at least 10 campuses across China marched last month demanding freedom and democracy. The *People's Daily* said students in the central city of Nanjing continued street protests for six successive days last week.

So far the government has handled the protests with kid gloves, arresting only seven people, none of them students. Police have apparently avoided confrontation and the authorities have criticized only a small number whom they termed troublemakers.

"Tomorrow's march, if it happens, will be the real test of the

government's resolve," one Western diplomat said.

Several hundred people gathered at Peking University in temperatures well below freezing last night for a spirited debate on whether to demonstrate today.

Foreign eyewitnesses said one speaker was booed when he said he was not brave enough to go to Tiananmen Square today and hoped that others would not defy the law by doing so either.

Despite the massive official campaign, wall posters at Peking University continued to call on students to assemble in Tiananmen Square on New Year's Day before 10 a.m.

"It will be an assembly rather than a march," one poster said in an apparent effort to persuade students that the protest would not be illegal under temporary regulations imposed last week which ban protests in four key places, including the vicinity of the Great Hall of the People alongside the Square.

Many of the posters urged students to support the "reformist faction" of the Chinese leader Deng Xiaoping against "conservatives" opposing reform.

Peking's older people who suffered in Maoist turgid chaos of the Cultural Revolution, 19 years ago, are almost universally afraid that student marches for democracy could unleash anarchy in the streets again.

"The young people didn't live through times like that... they are too naive," said a 50-year-old factory worker.

But many others are quietly happy to see students defying the govern-



A Chinese student records his voice while reading a poster at Peking University. Hundreds of students gathered to read dozens of posters criticizing the Chinese Communist Party. (AFP telephoto)

ment, according to a cab driver in his thirties.

"The students are right," said a busy young waiter in the up-market Peking Hotel, a few hundred yards from Tiananmen Square.

"I have friends who are students, and might join the protest. I would like China to have general elections for a President, like in America," he added.

But some marchers may have to

reckon not only with the police but the wrath of their mothers.

"The students are wrong, wrong," said one elderly woman newspaper vendor. "I wouldn't let any child of mine take part in this kind of thing."

"We should all preserve unity and stability," she added, pointing to a Chinese newspaper headline which said exactly the same thing.

The cab driver said: "Everyone

knows what's wrong with the Chinese system. There is no freedom; there is corruption by the top cadres; prices are rising faster than wages."

"The masses aren't really interested in words like freedom and democracy — only in eating well and having a good life. But when they see someone stand up to the government they think to themselves: 'well done.'"

## Arafat lists 4,000 casualties in refugee camps

MANAMA, Bahrain. — PLO leader Yasser Arafat said more than 4,000 Palestinians have been killed or injured in Lebanon's "camps war," a magazine reported Wednesday.

Arafat told the Iraqi magazine *Alif-Baa* that another 3,500 people were "untraceable."

The Palestinian leader said those missing were believed to have been detained in the war between Palestinians and the Shi'ite Amal militia around refugee camps in Southern Lebanon and Beirut.

He did not say whether the captives were fighters or non-combatant refugees, nor why they were being held, and he did not specify where they were held.

Arafat furthermore counted 80,000 refugees rendered destitute because of the fighting.

The Palestinian leader, who has been in the Iraqi capital for several weeks now, charged that aside from attacks by Amal militiamen "and those cooperating with them," the Palestinian refugee camps were facing Israeli air, artillery and naval assaults.

Palestinians defending the camps are mainly Fatah, the leading group under the umbrella of the PLO and headed by Arafat. But other Palestinian factions, including those who oppose Arafat's leadership, have reportedly joined hands in defence of the camps.

In Nicosia, Palestine Red Crescent Society

officials said, dangers and hardships face Palestinians wounded in Lebanon's "camps war" on an escape route out of the country to seek medical treatment abroad.

"We have a lot of trouble getting our wounded out," said one PRCS official who asked not to be identified. "Many have disappeared on the way to Beirut airport."

Administrative and medical details of the evacuation are planned from PRCS offices located unobtrusively in a house in Nicosia close to the heavily-fortified American Embassy.

A PRCS official said most of those wounded in three months of battles between Palestinians and Shi'ite Amal militiamen around the camps in Beirut and South Lebanon had gone on from Cyprus to hospitals in France, Britain, West Germany and Eastern Europe.

Three Palestinians wounded in previous fighting earlier this year, and who asked to be named only as Jamal, 36, Samir, 26, and Issa, 20, spoke of "horrific dangers" faced by wounded fighters leaving Lebanon.

Jamal, a heavily-built man whose head was bowed in pain from severe injuries which he said he received in an Amal prison, said he was smuggled by a Lebanese army officer out of al-Bass camp near the southern port of Tyre, last month.

Samir, his right arm hanging useless from a shrapnel wound received at Bourj al-Barajneh camp in Beirut, said Red Cross workers helped to get him out. "Militiamen still held me up for an hour near the airport and beat me," he said.

Issa, who had a deep M-16 bullet scar on his right temple after being hit by a sniper at Beirut's Shatilla camp, said there was no safety in Lebanese hospitals. "That's why we come out, despite the dangers," he said.

Officials blamed many of the hazards of the journey on Shi'ite militias controlling the approaches to Beirut airport. "Of those treated abroad, many get kidnapped or beaten up by militiamen when they try to return," one official said.

An official said the PRCS was prepared to pay Lebanese hospitals to treat Palestinians "but we fear Amal informers who have the wounded kidnapped."

The officials in Cyprus could give few precise figures on how many casualties were either treated or kidnapped because other organizations, such as the International Committee of the Red Cross, also assisted wounded Palestinians.

The PRCS, established in Jordan in 1968, functions as an embryo Palestinian health ministry and has observer status in the

Geneva-based League of Red Cross and Red Crescent societies.

Funded by Arab states, the World Health Organization and the International League of Red Crosses and Red Crescents, it has set up nearly \$100 million worth of medical facilities, officials estimate.

"Most of the hospitals in Lebanon were outside the refugee camps, so we started an active campaign to build smaller hospitals inside the camps," one official said.

"This has proved invaluable in the present round of fighting, improving Palestinian morale and resistance. Before adequate facilities were established, serious wounds would often go gangrenous before being treated."

Another official said Shatilla hospital had achieved remarkable results. "It has been shelled 25 times and still carries on," he said. "There is a Canadian doctor of Greek origin there, a British nursing sister and four Palestinian doctors with some nurses from the camp."

He said the Haifa hospital in Bourj al-Barajneh had received substantial supplies, often by bribing militiamen to let them through the Amal siege lines.

"The top three floors are flattened but the rubble protects the hospital, built mostly underground because of the shelling," he added. (AP, Reuters)

### Sensitive papers removed

## UK releases 1956 Suez records

Jerusalem Post Correspondent

LONDON. — The British government's 1956 cabinet records, revealed yesterday after 30 years by the Public Records Office, show only that the most sensitive papers regarding the Suez affair have been removed and destroyed. Although massive amounts of material have been released, anyone expecting to discover major revelations about collusion with France and Israel will be disappointed.

What the papers do reveal is an astonishing amount of ignorance, even among top British officials, about Prime Minister Anthony Eden's intentions. Eden's passion for secrecy made him send two Foreign Office officials back to France after the Sevres talks on October 22, to retrieve and destroy the French copy of the collusion document. The French refused, partly, as one of the two officials revealed last month, "because they saw no reason to destroy it, and partly because the

Israelis had their copy with them."

Israel's involvement in Suez is peripheral as far as these documents are concerned. Israel first appears in the 1956 cabinet minutes at the end of February when there is great hand-wringing about Foreign Secretary Selwyn Lloyd's forthcoming visit. Should he or should he not meet Ben-Gurion in Jerusalem? Would this signify recognition of Jerusalem as Israel's capital?

On July 26 there is considerable agitation in the cabinet when the Foreign Secretary reports that the Soviet Union has offered to supply arms to Jordan without payment. King Hussein and the Jordanian government were immediately told of the consequences which would ensue (with regard to the Anglo-Jordanian treaty) if Jordan accepted arms from the Soviet Union. Britain would be obliged to review the treaty obligations — including the support of the Arab Legion.

Reuter reports that the records,

released yesterday after 30 years, reveal a government so preoccupied with its 1956 attack on Egypt that it virtually ignored the simultaneous Soviet invasion of Hungary.

Although civil servants at the Foreign Office produced around 2,000 pages of analysis on the storm brewing in Hungary, there is hardly a mention of the invasion in the meetings of the cabinet or in ministers' correspondence.

"It is indeed ironic that at the very moment when we are being pilloried as aggressors, Russia is brutally reoccupying Hungary and threatening the whole of Eastern Europe," Eden complained in a telegram to U.S. President Dwight Eisenhower, dated November 1.

The U.S. bitterly opposed Britain and France's use of force at Suez, and the split in the Western alliance took the edge off their words of condemnation of the Soviet move to crush the Hungarian rebellion early in November 1956.

## Botha: Election date for whites by end of month

JOHANNESBURG (Reuters).

South African President P.W. Botha last night promised white voters an early general election and sought to rally them with a fierce attack on foreign pressure for black majority rule.

Botha said in his New Year's message, broadcast on television: "The time to consult the white electorate on a number of fundamental issues is fast approaching... I intend to announce the date of the election at the opening of parliament on January 30."

He devoted much of his address to denouncing foreign states for demanding a one-person, one-vote democracy in South Africa, complaining that they had failed to recognize his reforms of the apartheid race segregation system.

An influential South African business organization called yesterday for urgent action to reform the apartheid racial segregation laws and said time was running out fast for the country.

It started with the death of a black man hit by a car while fleeing a mob of white youths who had beaten him with baseball bats.

Its effect has been to open new the sore of racism festering in American society two decades after the civil rights movement appeared to have healed it over.

Not for many years has a single racial incident featured so prominently in newspapers and television and radio programmes across the country.

Michael Griffith was buried at the weekend, but his death on December 20 has left behind a New York split along racial lines and has prompted a national debate on the nature and reality of racism in the U.S.

The killing has seen a retaliatory attack by black youths on a white teenager, ugly scenes at an anti-racism march, heckling the city's black police chief, and New York's garrulous mayor, Edward Koch, nearly silenced by jeering from a white church congregation.

Undercover police have been

drafted into the area of the attack to

monitor racial tensions. There have been cries, too, of a cover-up by police and city authorities because the driver of the car that killed Griffith was the son of a police officer. Police said they believe he was not involved in the attack.

The legal system was thrown into confusion by the two survivors of the attack refusing to testify, resulting in murder charges being dropped against the three white teenagers. The three were originally charged with second-degree murder for causing a death "under circumstances evincing a depraved indifference to human life."

But, when they appeared in court on Monday, there was an uproar when the judge ruled the state had not shown it had a case for murder or manslaughter. As he announced the three would face reckless endangerment charges only, scores of blacks in the court screamed "injustice," and were evicted.

The prosecution now has 45 days to take the case back to a grand jury which could reconsider more serious charges.

The city's tabloid newspapers have had a field day at a normally

quiet time of the year for news, running headlines like "we shall overcome," or referring to "white fury."

A *New York Times* editorial called on the two survivors to testify to avoid a mockery of justice, or to bear responsibility for "reverberating tensions."

The 23-year-old Griffith and two black companions were driving home late at night when their car broke down. They decided to find a public phone to call for help. Their walk took them into Howard Beach, a predominantly white section of the Borough of Queens, known as a neighbourhood of decent, home-owning people. Nestled between Kennedy Airport and Jamaica Bay, Howard Beach is not considered a dangerous section.

Griffith, Cedric Sandiford and Timothy Grimes went to a pizza parlour to use the phone and it was when they emerged that they were set upon by nine to 12 white youths who beat them with fists and baseball bats. While fleeing, Griffith ran

## The case of the smuggling rabbis

By JENNI FRAZER

Jerusalem Post Correspondent

One of the more bizarre stories to emerge from the Public Records Office during the annual opening of 30-year-old government files is the case of the smuggling rabbis.

It seems that in the spring of 1956 there was considerable anxiety in California about the "unorthodox methods" being used to raise funds for Israel. In fact the methods were about as Orthodox as you can get: diamonds were coming on in Los Angeles, and an anxious British consular official reported to the Foreign Office that "Orthodox rabbis are peddling the diamonds with the plea

that their purchase contributes to Israel funds."

According to the British consulate, about \$30,000 worth of diamonds had recently been sold on the black market and a roaring trade was being done on Sunday mornings by the rabbis. The stones, mainly South African, were coming in through the port of New York where, the official explained fastidiously, the rabbis were not examined very rigorously by the New York customs.

An investigation by the Foreign Office in May 1956 described an international diamond-smuggling network from Europe to the U.S., organized by groups of rabbis. "The

bulk of the diamonds was smuggled from Antwerp to New York... Canadian and U.S. authorities are aware of the identity of rabbis who participate in this deal."

### Moscow admits Kazakh riots

MOSCOW (Reuters). — Demonstrators waving nationalist slogans and armed with sticks and metal rods attacked people and public buildings in riots in Soviet Kazakhstan two weeks ago, the official weekly *Liternaya Gazeta* said yesterday.

Giving the first details in the press on the disturbances since a report by the official news agency Tass on December 18, the weekly blamed the trouble on unnamed "organizers" who had manipulated politically ignorant young people.

Several hundred students demonstrated in the Kazakh capital of Alma-Ata on December 17 and 18, after the Republic's ethnic Kazakh Communist Party leader, Dinmukhamed Kunayev, was replaced by Gennady Kolbin, a Russian by nationality.

Tass said the students were inspired partly by misguided nationalism. Diplomats said they had received reports from Alma-Ata suggesting supporters of Kunayev, fearful for their jobs under the new leader, had played a part in the riots.

## Foreign news in brief

### Bomb blast outside Andreotti's hotel

MERANO (AP). — A bomb exploded early yesterday outside a resort hotel where Italian Foreign Minister Giulio Andreotti was vacationing. The blast blew out windows but injured no one.

Police and the Foreign Ministry said the bombing likely was one of a series of violent episodes stemming from ethnic tensions in this northern mountainous region. But eight hours after the attack, a Lebanese terrorist group claimed responsibility for the attack.

The Italian news agency Ansa said its Beirut office received a call from a man purporting to represent the shadowy Lebanese armed Revolutionary Brigade whose group seeks the release of two Arab prisoners being held in Italy.

### Saudi budget shows \$14b. deficit

RIYADH (AP). — Saudi Arabia announced yesterday a 170 billion-riyal (\$45.33 billion) budget for fiscal 1987 and said the government will draw for the first time on official reserves to counter a 52.72 billion-riyal (\$14.05 billion) deficit.

A royal decree broadcast by Riyadh Radio announced a 15 per cent cut in government spending. The cutbacks were caused by a dramatic drop in oil revenues because of a slump in oil prices.

The kingdom, the world's largest exporter of crude oil, has an estimated \$90 billion in petrodollar reserves.

### Unwra official killed in traffic accident

VIENNA (AP). — The deputy director of health of the United Nations Relief and Works Agency for Palestine refugees was killed in a traffic accident, it was announced yesterday.

The Vienna-based organization provides schooling and other social services for Palestinians in the Middle East. It said in a statement that the official, Dr. Naji Ayyash, died late Tuesday. The 50-year-old Jordanian citizen was run over by a car.

### U.S. citizenship stripped from Nazi guard

WASHINGTON (AP). — The U.S. Government said on Tuesday that a 77-year-old man has been stripped of his U.S. citizenship after admitting he shot a Jewish prisoner in the back while serving as a guard at a Nazi concentration camp.

Stefan Leili slipped out of the U.S. in August and is believed to be in West Germany, the Justice Department said. Evidence against Leili will be presented to West German authorities for possible criminal action, it added.

### A New Year's drink

MOSCOW (Reuters). — Muscovites eager to welcome the New Year in with a drink or two formed long queues outside liquor stores yesterday to beat a shortage caused by a government anti-alcohol campaign.

Soviet citizens traditionally see out the old year with a glass of vodka, greet the New Year with champagne or sparkling white wine, and then mix the two in an all-night spree to celebrate the main civilian holiday in the Soviet Union.

### Egypt ready for Sudan-Ethiopia mediation

KHARTOUM (Reuters). — Egypt has offered to mediate to help end the fighting in southern Sudan between rebels and government forces, Sudanese Foreign Minister Sharif Hindi said here yesterday on his return from Cairo.

Relations between Egypt and Sudan have been lukewarm since Cairo refused to hand back former President Jaafar Numeiri who was ousted in a 1985 military coup.

### Papandreou says Greece under Turkish threat

ATHENS (Reuters). — Prime Minister Andreas Papandreou said yesterday Greece was under military threat from Turkey and called on Greeks to unite against what he called their "supposed friends and allies."

In a New Year message to the country, Papandreou said Greece had to keep its armed forces strong in order to survive.

One Greek and two Turkish soldiers were killed last month in a shooting incident at the Evros River, the northern frontier between Greece and Turkey.

Although Greece and Turkey belong to Nato, they have been at odds for years over Cyprus and sovereignty and territorial rights in the Aegean.

### Djibouti bars aid to ill South African seaman

CAPE TOWN (AFP). — A seriously ill white South African seaman was flown to a hospital in Britain yesterday after Djibouti refused him treatment in protest against Pretoria's apartheid policies, an official at the Saffmarine Shipping Line said here.

Saffmarine executive manager Patrick Browne said the seaman, 20-year-old Revan Langeveldt, was suffering from ruptured intestines and internal bleeding.

Browne said the Saffmarine bulk carrier *Sea Pioneer*, on which Langeveldt was a deck-hand, had radioed to Djibouti for medical help on Saturday after Langeveldt became ill, but had been refused assistance in protest over South Africa's racial policies.

### Egyptian oil price increased again

CAIRO (Reuters). — Egypt, short of dollars and spurred by Opec's price-raising accord, yesterday increased export prices of its crude oil by \$1.35 a barrel for January, the Egyptian General Petroleum Corporation said.

The increase, the third in 41 days, was a result of an agreement by the Organization of Petroleum Exporting Countries to cut its output by 7.25 per cent and stabilize prices at \$18 a barrel, a top corporation official said.

The latest increase took the price of Egypt's top quality Suez blend to \$16.60 a barrel and meant an aggregate rise in Egyptian prices of \$4.75 a barrel since November 20.

## Black man's death stirs U.S. racism anew

NEW YORK (Reuters). — It started with the death of a black man hit by a car while fleeing a mob of white youths who had beaten him with baseball bats.

Its effect has been to open new the sore of racism festering in American society two decades after the civil rights movement appeared to have healed it over.

Not for many years has a single racial incident featured so prominently in newspapers and television and radio programmes across the country.

Michael Griffith was buried at the weekend, but his death on December 20 has left behind a New York split along racial lines and has prompted a national debate on the nature and reality of racism in the U.S.

The killing has seen a retaliatory attack by black youths on a white teenager, ugly scenes at an anti-racism march, heckling the city's black police chief, and New York's garrulous mayor, Edward Koch, nearly silenced by jeering from a white church congregation.

Undercover police have been

drafted into the area of the attack to

monitor racial tensions. There have been cries, too, of a cover-up by police and city authorities because the driver of the car that killed Griffith was the son of a police officer. Police said they believe he was not involved in the attack.

The legal system was thrown into confusion by the two survivors of the attack refusing to testify, resulting in murder charges being dropped against the three white teenagers. The three were originally charged with second-degree murder for causing a death "under circumstances evincing a depraved indifference to human life."

But, when they appeared in court on Monday, there was an uproar when the judge ruled the state had not shown it had a case for murder or manslaughter. As he announced the three would face reckless endangerment charges only, scores of blacks in the court screamed "injustice," and were evicted.

The prosecution now has 45 days to take the case back to a grand jury which could reconsider more serious charges.

The city's tabloid newspapers have had a field day at a normally

quiet time of the year for news, running headlines like "we shall overcome," or referring to "white fury."

A *New York Times* editorial called on the two survivors to testify to avoid a mockery of justice, or to bear responsibility for "reverberating tensions."

The 23-year-old Griffith and two black companions were driving home late at night when their car broke down. They decided to find a public phone to call for help. Their walk took them into Howard Beach, a predominantly white section of the Borough of Queens, known as a neighbourhood of decent, home-owning people. Nestled between Kennedy Airport and Jamaica Bay, Howard Beach is not considered a dangerous section.

Griffith, Cedric Sandiford and Timothy Grimes went to a pizza parlour to use the phone and it was when they emerged that they were set upon by nine to 12 white youths who beat them with fists and baseball bats. While fleeing, Griffith ran

onto a major highway where he was struck and killed by a car.

Black anger was heightened when it was revealed that one of the accused, Jon Lester, 17, was born in South Africa, and a law official suggested this might be a reason why the youth attacked the blacks.

At a protest rally through Howard Beach on the day, Griffith was buried, the crowd chanted at one point: "Howard Beach, haven't you heard? This is not Johannesburg."

Police had to separate more than 1,000 demonstrators from a crowd of whites who taunted them with shouts of "animals," and demands to "go home."

In a speech later, Benjamin Hooks, executive director of the National Association for the Advancement of Coloured People, called the attackers "mini-Rambos." He said similar attacks have been occurring across the nation. However, in Washington, the government's top civil rights enforcer characterized the killing as an isolated incident.

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# Cabinet balance of power unchanged if Peretz quits

By SARAH HONIG  
Post Political Correspondent  
TEL AVIV. — Should Interior Minister Rabbi Yitzhak Peretz indeed resign, the balance of forces in the cabinet would remain unchanged, political observers agreed yesterday.

Even if he leaves the government, it is not certain that the entire contingent of four Shas MKs will leave the coalition.

Shas stands to lose by quitting the coalition. Besides the control of funds and influence that come with the ministerial portfolio, MK Raphael Pinhasi is deputy minister of labour and social affairs and Peretz's close adviser Arye Deri is director-general of the Interior Ministry.

Thus it is not clear whether Shas would be ready to leave the coalition for a much less influential existence in the opposition. Peretz himself has achieved considerable influence for a political newcomer.

He has figured prominently in attempts to resolve many of the crises that have beset the national unity government. The Likud has considered him a valuable ally and Labour has courted him ardently. He has upstaged the veteran religious politicians of the National Religious Party and Agudat Yisrael. A

stint in the opposition might curtail this run of successes.

Peretz stressed yesterday that no decision had been reached on Shas's future in the government and that the matter would be decided only when the party's Council of Torah Sages meets. This leaves the door open for a compromise.

The rabbis who make up the council were not the ones who had ordered Peretz to resign. Rather, it was Peretz who had informed the council that he would have to step down if he had to sign the ID card stating that Reform convert Shoshana Miller is Jewish.

This is significant since it was not the rabbis who pushed Peretz into a corner. The rabbis could in fact provide him with an out, if he so wishes.

Sources in both major parties therefore see Peretz's move as brinkmanship to pressure the Likud to support legislation on the status of non-Orthodox converts that would satisfy Shas. Some pressure is also being placed on Labour by Shas to

allow its MKs to vote as they see fit on the matter. It is known that some Labour MKs support the amendment to the Law of Return that the religious bloc has been pushing for.

The pressure is chiefly on the Likud because Shas is the Likud's cabinet ally, though Labour would not like to alienate Peretz either, since he has voted independently on many issues in the past.

Shas's departure from the cabinet and the coalition would apparently reduce the power of the Likud bloc. However, most major decisions are not reached in the full cabinet but in the inner cabinet, where the large parties are evenly paired. Moreover, the Shas portfolio came out of the Likud quota, so if the Likud wanted it could replace Peretz with one of its supporters.

The NRP and Agudat Yisrael would be more than happy to see Shas out of the coalition, since they would then return to centre stage in religious politics. The NRP, in fact, has already indicated that if Peretz cedes his portfolio, the NRP would lay claim to it. The NRP's arguments are that the portfolio was traditionally its own for decades until it unwillingly ceded it to Peretz, and that the faction has grown by one MK (Haim Druckman) through the break-up of Morasha.

## ANALYSIS

## Minister decided to resign after consulting his religious mentors

By ASHER WALLFISH  
Post Knesset Correspondent  
Interior Minister Yitzhak Peretz came to his decision to resign following three conversations with his spiritual patrons.

He spent two hours on Tuesday evening with Rabbi Eliezer Schach, the doyen of the Council of Torah Sages, who helped create the Shas Party because of his opposition to Agudat Yisrael. Peretz then spent the hours between midnight and 2 a.m. with former Sephardi chief rabbi Ovadia Yosef, the other architect of Shas. And at 7:30 yesterday morning, Peretz went back to Rabbi Schach in Bnei Brak for a final consultation.

Some of Peretz's aides suggested that he prove his integrity by giving up the Interior Ministry but staying in the government as a minister-without portfolio. One of his top men told *The Jerusalem Post*: "He turned us down and said he could not fiddle with his principles. He said that even as a minister-without-portfolio he would bear some of the blame if Shoshana Miller were not registered as a convert."

The High Court of Justice on December 2 ordered the Interior Ministry to register Miller as Jewish, and ruled illegal any indication on her ID card that she was a convert.

Rabbi Simha Meron, the legal adviser to the Shas Knesset faction, and one of the originators of the "former nationality" proposal that did not come up in the Knesset Law Committee as planned, told *The Post*: The proposal was simply one of several possible alterna-

tives to ensure that the documents of a convert are not identical with the papers of a person born Jewish. The idea is to alert the marriage registrars to the fact that they will need to conduct in-depth enquiries before going through with a marriage.

He continued: "Shas will now presumably return to its original proposal, to amend the Rabbinical Courts Adjudication Law to require the authentication of overseas conversions by a rabbinical court in Israel, before the Interior Ministry registers a person as Jewish."

"For a long time now, the marriage registrars have been sending converts to the rabbinical courts to authenticate overseas conversions. We simply want to give the same powers to the Population Registry," Meron said.

Meron claimed that Conservative and Reform Jews need not take offence at the amendment to the Rabbinical Courts Adjudication Law since the amendment would not distinguish between streams of Judaism as formally as the proposed amendment to the Law of Return, stating that a Jew is only one born of a Jewish mother, or converted according to halacha (Jewish law).

Parliamentary veterans assumed that Shamir would not appoint a new interior minister if Peretz resigned with Shas still in the coalition. They assumed Shamir would serve as acting interior minister and leave the running of the ministry to his deputy, Ronnie Milo.

Shas would thus maintain its influence through ministry director-general Arye Deri and the Shas Party adherents Peretz had put in.

## Woman to advise Hammer on women

Jerusalem Post Reporter  
Religious Affairs Minister Ze'evulun Hammer is about to appoint a woman adviser on religious issues affecting women, he told the Builders' Mission of the Eminent Women of America in Jerusalem.

Hammer has offered the post to

his first choice and is awaiting her answer. Appointing a woman would ensure that issues affecting the status of women would not be neglected, he said.

Hammer, who shared the platform with U.S. Ambassador Thomas J. Pickering, said that the Reli-

gious Zionist movement views women as full partners.

"I don't think women should be ashamed of what their grandmothers were," he said. "At the same time, women today are needed to go out to make important contributions to society."

# O'Connor's own views on Mideast made him an easy target for controversy

By WALTER RUBY  
Jerusalem Post Correspondent  
NEW YORK. — As New York's Archbishop John Cardinal O'Connor found himself embroiled in controversy over whether or not he would meet Israel's top leaders during his upcoming trip to the Jewish state, Rabbi Marc Tanenbaum, international affairs director of the American Jewish Committee, remarked this week that O'Connor had become "the victim of Vatican foreign policy."

Tanenbaum's analysis that O'Connor had wanted his trip to be a warm and generous outreach to Israel, but that he had been reigned in by Arabists within the Vatican seemed generally accurate. O'Connor appeared to have agreed to hold meetings with Israel's top leaders, only to have the rug pulled out from under him without warning last week by the Vatican.

The official reason was that Vatican protocol forbids a cardinal to meet Israeli leaders in Jerusalem, as the Vatican does not recognize Israeli sovereignty in Jerusalem. Earlier, Msgr. James Finn, the cardinal's spokesman, had contended that O'Connor would be willing to meet Israeli leaders, but only in "informal" meetings.

Nevertheless, an analysis portraying O'Connor as the "good guy" in the scenario, sabotaged by anti-Israel heavies within the Vatican, overlooks the tension in O'Connor's own role and outlook vis-a-vis Israel and the Middle East. On the one hand, ever since becoming New York's archbishop in January 1984 (he was invested by Pope John Paul II with the more exalted title of cardinal in May 1985), O'Connor has attached a high priority to outreach to New York's large and influential Jewish community. He has made appearances at rallies in support of Soviet Jewry, called on Christians to come to terms with the moral issue of the Holocaust and stressed his commitment to the right of the State of Israel to exist within safe and secure boundaries.

On the other hand, even before

his controversial visit to Lebanon last June, where he called for "a Palestinian homeland," O'Connor had spoken of the need to find a solution to the Palestinian problem, so as to alleviate the suffering of Palestinian refugees. According to a 40-year-old tradition, the archbishop of New York serves as president of the Catholic Near East Welfare Association, an organization that supports and operates humanitarian and charitable foundations in 18 countries in the Middle East.

O'Connor, 66, is a native of Philadelphia, and spent much of his ecclesiastical career as a chaplain in the U.S. military, serving in the Korean War, and later as head chaplain of the U.S. Naval Academy. After brief service as bishop of Scranton, PA., O'Connor was appointed archbishop of New York in January 1984.

From the beginning of his service as archbishop, O'Connor has been seen as one of the leaders of the conservative faction among U.S. cardinals and bishops, especially on so-called "social issues."

During the 1984 election campaign, he stressed that abortion was the pre-eminent moral issue of the times, and raised the question of whether Catholics could in good conscience vote for candidates who support legalized abortion.

O'Connor has also opposed homosexuality as sinful, and headed a coalition, including some Orthodox Jewish groups, which unsuccessfully opposed a bill passed by the City Council last year outlawing discrimination against gays.

Like Pope John Paul II, with whom he enjoys a close friendship and a shared philosophical outlook, O'Connor has an informal style, and loves to mingle with crowds. Despite his rigid moral views, O'Connor has a warm personal style and a refined sense of humour.

Sharp differences with O'Connor on gay rights, notwithstanding, Mayor Ed Koch has formed a close alliance with the cardinal on many issues, and even travelled to Rome



Cardinal John O'Connor. (Reuters)

last year for O'Connor's investment as cardinal. Koch has sought to sensitize the cardinal on Jewish issues, and has introduced him to Jewish community leaders here, and to resident Israeli diplomats.

In his very first sermon in ornate St. Patrick's Cathedral on Manhattan's Fifth Avenue after becoming archbishop, O'Connor said: "The lessons of the Holocaust are ignored at our peril. We owe a great debt to our friends of the Jewish faith, who do us the incalculable favour of reminding us of the significance of the Holocaust. While we can forgive, we can never forget."

O'Connor has also taken the lead in urging teachers in Catholic schools to wipe out every vestige of anti-Semitism from their teaching.

Giving speeches to Jewish groups, O'Connor has said that he believes that Israel has a right to exist within secure and recognized boundaries and to be safe from incursions. But he has declined to demand openly of the Vatican that it establish diplomatic relations with Israel.

O'Connor's position as the American Jewish community's favourite

cardinal was shaken last June when he made a three-day visit to Lebanon, during which he unsuccessfully tried to contact the Shi'ite captors of American hostages in order to win their release. After leaving Beirut for Rome, he said that he had been deeply moved by the suffering of Palestinian refugees he had seen in Lebanon, and called for the creation of a Palestinian homeland in order to alleviate their plight. O'Connor stressed in subsequent interviews that it was not up to Israel but to the whole world to solve the Palestinian problem, and that he was not necessarily referring to Israel's occupied territories as the location for the Palestinian homeland. Nevertheless, O'Connor's call for a Palestinian homeland was criticized by such Jewish leaders as Nathan Perlmutter of the Anti-Defamation League of B'nai B'rith, while others such as Tanenbaum defended O'Connor's position, saying that they too looked forward to a just resolution of the Palestinian problem.

It was Tanenbaum, in the wake of the Lebanon visit, who took the lead in urging O'Connor to visit Israel in order "to see the other side of the story."

Later, Mayor Koch, Israeli Ambassador to the UN Binjamin Netanyahu, and Israeli Consul-General in New York Moshe Yegar met informally with the cardinal to convince him that the government of Israel would like him to visit, and would give him red carpet treatment if he decided to come.

While no one in the Jewish community here expected O'Connor to announce his support for establishing diplomatic relations between Israel and the Vatican during his visit, Rabbi Ronald Sobel, senior rabbi of Temple Emanuel here, and a friend and confidante of O'Connor, said: "The hope was clear and evident that improvement in relations and understanding would follow the cardinal's visit." In the wake of the Vatican order to O'Connor to cancel his meetings with Israel's leaders, however, that hope appears to have dimmed considerably.

# Holiday in search of Palestinian 'reality'

By ANDY COURT  
For the Jerusalem Post

Donkey carts and army jeeps were common sights on the roads of the Gaza Strip last Saturday, but ours was the only spick-and-span Israeli tour bus rolling past the ramshackle buildings of the refugee camps.

Our driver, a Jerusalem Arab who was all too aware of his vehicle's Israeli licence plates, was visibly terrified and even suggested turning back. Our guide, from the United Nations Relief and Works Organization, seemed more composed. But the people most at ease were the passengers — a music professor, wearing a seersucker blazer, a London municipal councillor, a Roman Catholic priest, an Anglican minister, an accountant, a teacher, and five others who had paid £540 (NIS 1,160) to spend their Christmas vacation in an occupied land.

The group is the second tour organized by the Jerusalem and Peace Service, a London-based company founded by anti-Zionist, ex-Israeli activist Uri Davis. "We're trying to give people an understanding of Palestinian reality," said the group leader, who declined to give his name. "We feel that too many tourists in the past have followed the Israeli line."

During the 13-day tour, the group will talk with former Nablus Mayor Bassam Shak'a, members of the Supreme Muslim Council, and academics at Faisal Hussein's Arab Studies Society. They will tour new Jewish settlements and destroyed



A member of the second Jerusalem and Peace Service group to tour Israel distributes candy to Palestinian children at Canada Camp, on the outskirts of Rafiah. The fence marks the Egyptian border, and group members watched Palestinians at the fence shouting across no-man's-land to relatives on the other side.

Arab villages in the Jerusalem area and meet with Golan Heights Druse who in 1981 refused Israeli identity cards.

Though the company doesn't claim to offer a "balanced" tour, it

does provide some Israeli perspectives. A B'nai B'rith representative has addressed the group and a member of the Peace Now movement is scheduled to meet with participants in Tel Aviv.

In addition to Christian and Palestinian sites, they have visited the Israel Museum, Yad Vashem, and Masada.

Roughly 50 per cent of the first Jerusalem and Peace group which visited in July were Jewish, and many of the members have been here before. The group now in the country, however, is composed mainly of British Christians who were interested in seeing holy sites as well as the occupied territories. A majority of them were visiting Israel for the first time.

"I came because I like to see my holidays to gather information, and the idea of looking into the Palestinian question interested me," said Helga Gladbaum, a councillor of the Brent Municipality in the Greater London area. "I'm also concerned about how a society treats its minorities because we have minorities in Brent and we're grappling with that daily."

"I've always wondered how a state like Israel, whose people have suffered so much from racism, could support South Africa and provide military training and weapons to oppressive regimes in Latin America," said Titus Alexander, who teaches current affairs at an adult education centre.

# Haniyeh denied his lawyers day in court

By JOEL GREENBERG  
Jerusalem Post Reporter

The decision by deported Palestinian newspaper editor Akram Haniyeh to withdraw his application again for the expulsion cut short a legal process that could have produced a High Court ruling with significant implications for Israel's security policies in the territories.

Haniyeh left in his wake a pair of disappointed lawyers, who in almost two months of exhaustive work marshalled a set of novel arguments against deportation. Had the hearings run their course those arguments could have forced the High Court to consider new approaches to human rights in the territories, legal controls of the military, and the applicability of the Geneva Conventions.

Avigdor Feldman, who defended Haniyeh on behalf of the Association for Civil Rights, presented original arguments in defence of his client. He first asked that the secret evidence against Haniyeh be dismissed, on the grounds that his client could not respond to material he was barred from examining. Feldman noted that the secret evidence is inadmissible in criminal cases in Israel.

Feldman also took the issue with the state attorney's representative, Dorit Beinisch, who insisted that the court limit itself to determining whether there was sufficient and convincing evidence against Haniyeh. Assessment of the threat posed by Haniyeh and the use of the deportation penalty were the prerogatives of OC Central Command Ehud Barak and should not be subject to court intervention, Beinisch argued.

But Feldman urged the court to consider the assessment that led Barak to issue the deportation order. Unlike his colleague, Felicia Langer, who had denied Haniyeh's involvement in the activities underlying the deportation order, Feldman argued that even if the allegations were true, those activities did not pose an immediate threat to security that required deportation. Feldman urged the court to intervene in Barak's decision-making, and rule whether Haniyeh's alleged activities indeed necessitated his deportation, or whether they were merely an inconvenience Barak sought to remove.

In another argument, Feldman urged the court to take into account changes in legal conditions in the territories brought about by High Court rulings since 1967.

Feldman cited High Court rulings upholding land expropriation and the imposition of VAT in the territories, which were departures from Jordanian law, which governs the West Bank. He said these decisions amounted to an equalization of certain legal conditions on both sides of the Green Line, and in the case of VAT, took into account the economic relationship between Israel and the territories that had developed since 1967.

If such legal adjustments had warranted the impositions of new strictures on Palestinians in the territories, why couldn't parallel adjustments have been made to grant them more civil rights, in consequence of Israel's prolonged occupation in the area, Feldman asked.

The legal control exercised by the High Court over the territories on various occasions could be

used to promote civil rights, and to abolish deportation from the territories, just as it has been ruled out in Israel by the Knesset, he said.

Feldman reminded the court that Palestinians in the territories were practically powerless, and relied on the court as their last resource against the policies of the military government.

Beinisch argued that the Fourth Geneva Convention on the treatment of civilians in wartime, which forbids deportation from occupied territory, was inapplicable because it had not been incorporated into law by Knesset legislation.

Feldman countered that since the convention was designed to apply precisely to occupied areas, where there is no parliament to legislate state law, it could not be argued that such legislation was necessary.

Langer argued that the convention had legal status in Israel because it had been incorporated in the IDF's standing orders, which had in turn been included in the Basic Law: The Army, passed by the Knesset in 1979.

The withdrawal of Haniyeh's petition has left these arguments unanswered by the High Court. Its reply could either have broken new legal ground, or simply legitimized the army's actions, as Haniyeh feared.

Defence officials say Haniyeh's deportation has dealt a severe blow to the PLO in the territories, and are congratulating themselves on having removed a large thorn from their side. Haniyeh is gone, but the arguments made in the case remain, and deserve attention as Israel enters the third decade of its occupation of the territories.

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# Hadassah to build and run hospital in Zaire

By JUDY SIEGEL

Hadassah will set up a 180-bed hospital in Kinshasa, the capital of Zaire, at the request of the U.S. Agency for International Development (AID) with an Israeli hospital administrator running it initially and Israeli medical staffers training local personnel.

The project begins officially today, when Eli Mor, the administrator of Hadassah Hospital on Jerusalem's Mt. Scopus, flies to Zaire for 30 months to organize it. He will be joined in six months by four Hadassah doctors and nurses.

The U.S. government selected the Hadassah Women's Zionist Orga-

nization for the project, according to Hadassah director-general Prof. Shmuel Penchas. "Because it knows from experience that unless a private voluntary organization does it, the Aid money will disappear and the project will fail."

Ruth Popkin, American president of Hadassah, told reporters yesterday that her organization was eager to help some of the Angolan refugees pouring through the border into Zaire.

Zairean President Mobutu Sese Seko asked instead that Hadassah help establish a hospital to improve the sorry state of medical care in his country of 40 million.

Yiddi

REVISION

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SAVE







# Ya'acobi has his own economic plans

By DAVID KRIVINE  
Post Economic Correspondent

Economics Minister Gad Ya'acobi has an economic recovery programme of his own, which he submitted to the cabinet as far back as January last year. It differs in many respects from Finance Minister Moshe Nissim's present proposals.

"Our disparities could have been reconciled - had the Labour ministers been brought into consultation earlier on," he told *The Jerusalem Post* this week.

Labour leaders agree with the need for a reform of the tax system and the capital market. Ya'acobi had himself suggested a tax cut, but as part of wage policy. "Reducing the burden on the individual worker, however justified, will not contribute to economic recovery unless the opportunity is taken at the same time to reduce the labour costs to the employer," he says.

His idea is to offer the workers a 10 per cent tax cut in exchange for their agreement to forfeit 5 per cent of their salaries. If the Histadrut agreed to this arrangement, wages would go up by 5 per cent while the employers' wage bill would fall by 5 per cent.

He supports Nissim's proposed reduction of company tax.

Ya'acobi does not agree, however, to cancel tax exemptions on savings, including pensions and stocks.

"We have the problem of recycling the domestic national debt during the coming year and dare not tamper with people's readiness to put money aside."

"All these policies should have been hammered out ahead of time. When Economic Recovery Programme Part I was prepared in mid-1985, Shimon Peres of Labour [then prime minister] and Yitzhak Moda'i of the Likud [then finance minister] sat together for 10 hours. They then sat with [then vice premier] Yitzhak Shamir and myself for another 30 hours. We four [two from each party] then sat with the Histadrut and the employers for 16 hours."

"This time, Prime Minister Shamir and the finance minister belong to the same party. It is no coincidence that last October an economic cabinet was formed of four ministers [Shamir, Nissim, Peres and Ya'acobi] to ensure prior coordination."

"This economic cabinet was not called into session on the present plan, until I demanded a meeting. Consultations then took place - after 'I'm not complaining about this kind of technical oversight, the problem is that everything is now held up. We can't get the new economic policy approved in an agreed and efficient manner.'"

What other changes would Labour want?

"The Treasury plan lacks social



Gad Ya'acobi (Uzi Keren)

sensitivity," Ya'acobi declares. "Nissim said he had a majority in the cabinet behind him. Well, it turns out that he hasn't. But suppose the cabinet had agreed to his wholesale abolition of tax exemptions. He would have had to bring all this to the Knesset, seeing that several laws would need amending. And what kind of reception did he expect, with 400,000 disabled persons and 400,000 old-age pensioners at the door?"

He agrees that the budget must be trimmed but takes exception to the Treasury's priorities. "They have less money to spare for education, yet can afford to give up the yearly

car levy"

"Customs are to be reduced by \$200 million, owing to our free-trade agreements with the U.S. and the European Community. The Treasury offsets this by imposing NIS 60m. of purchase taxes. Why not NIS 100m. - instead of slicing [this time] the health budget?"

Ya'acobi would like to see some additional expenditures. He deplores the Treasury's failure to assist exports. "In 1987 our dollar influx will drop by \$1.7b., due to the end of U.S. emergency aid and to the change in import prices. If we get a reduction in the interest rate on our debt to the U.S. government, that will save us \$220m. - reducing the shortfall from \$1.7b. to a still shattering \$1.5b."

"Yet our exports are being allowed to sag, hampered as they are by increased production costs while the exchange rate remains fixed." He advocates financial assistance to exporters for a transition period, to prevent a devaluation.

"Our situation is not an emergency, we don't need panic measures," Ya'acobi concludes. "If there is no talk of devaluation (as I hope there won't be) and no interference with savings (which I hope will not happen either) we have time, there is no hurry. We should take the right measures after proper consideration."

## THE TAX BURDEN/Jeff Broide

### The company you keep

The Israeli Income Tax Ordinance levies taxes on net profits, after deductions, of companies that are both registered in Israel and do most of their business here. In addition, control and management must be exercised in Israel. Companies that do not meet these conditions, that is, foreign companies, are taxed only on the net income they earned in Israel.

Both kinds of companies are subject to a company tax, which is calculated on taxable income earned in Israel, minus allowable deductions, but not dividends. The law sets ceilings on deductions for such things as pension and severance fund allocations, fringe benefits and expense accounts. Losses incurred in Israel may be carried forward indefinitely. Dividends received by corporations, minus withholding tax, are exempt from company tax. Firms are also subject to an income tax, levied on total taxable income less company tax paid and less dividends actually disbursed.

The tax structure differentiates among: regular, or non-industrial, companies, industrial companies and "approved" enterprises.

Non-industrial companies pay a company tax of 40 per cent on net taxable income. Net income after payment of company tax is ordinarily subject to an additional tax of 35 per cent if the income is retained. This leads to a marginal tax rate of 61 per cent (see table). The withholding tax on dividends paid to local shareholders is 35 per cent for companies listed on the Tel Aviv Stock Exchange and 45 per cent for those that are not. Thus, if all earnings are distributed locally, and the firm is not listed on the stock exchange, the marginal tax rate would come to 67 per cent. Dividends paid to non-resident

Other tax benefits available to industrial companies include increased depreciation of machinery and equipment. Industrial and tourism concerns and residential building companies are exempt from the employer's tax.

Approved enterprises are those approved by the government under the terms of the Encouragement of Capital Investments Law. This law provides for special benefits to be granted to companies that set up new ventures, or expand existing businesses, in priority areas, in manufacturing and tourism, usually with export or invisible, export potential. The benefits include government grants, low-cost financing (at present frozen), and certain tax and other allowances. The main tax incentive is reduced company and income tax rates which are effective for a period of seven years. If an approved enterprise falls into the industrial category, it will also receive the benefit given to regular industrial enterprises.

Approved enterprises pay a company tax of 30 per cent on net taxable income during their seven-year benefit period. The period begins in the first year they have taxable income, but can extend no longer than 14 years from date of approval or 12 years from the start-up of operations, whichever is earlier. The income tax on retained earnings is also waived during the benefit period. Thus, if all earnings are retained, the marginal tax rate is 30 per cent.

The withholding tax on dividends distributed locally is 15 per cent, if the dividends are paid out of profits generated during the benefit period and distributed up to 10 years thereafter. Dividends paid to non-resident shareholders are also taxed at 15 per cent, unless reduced by tax treaties. Therefore, if all earnings are distributed, either locally or abroad, the total marginal tax amounts to 40 per cent. However, foreign-held approved enterprises may be liable to reduced company tax (between 10-25 per cent) depending on stake held by overseas investors. This applies to enterprises granted approval after April 1, 1985 and is for a period of 10 years. The 15 per cent withholding tax on dividends applies similarly. Here, if all earnings are distributed as dividends and the foreign-holding exceeds 90 per cent, the total marginal tax will amount to 23.5 per cent, (including a company tax of 10-15 per cent on the dividends).

There is yet another alternative as of April 1986, in which investors may give up their rights to grants under the Law for the Encouragement of Capital Investment and thus be totally exempt from taxes in the company for a period of two to 10 years, depending on where the company is located, but dividends will be taxed at 40 per cent.

For local residents this latter alternative does not seem worthwhile. However, an interesting question arises in connection with overseas shareholders who are liable to a withholding tax of 25 per cent or less on dividends if they are covered by special double tax treaties. It would appear that the lower rates will be applicable.

Approved enterprises may also depreciate machinery and equipment at double the normal rate during the first seven years of operation. Buildings may be depreciated at four times the normal rate but not more than 20 per cent annually. Here an election may be made between these rates and those provided under the inflationary tax laws. In addition, approved companies are fully exempt from payroll tax for the first five years in A development zones and 50 per cent exempt in B zones.

Israel currently has treaties for the avoidance of double taxation with 13 countries; others are in the negotiation stage. A tax treaty was signed with the U.S. in November 1978, but has not yet been ratified.

### The law provides for the creation of "family" and closed-property companies... - one of the four instances in Israeli tax law in which the company sheds its "corporate veil."

shareholders are subject to a 25 per cent withholding tax, unless they are covered by a double taxation treaty. If a company's earnings are distributed to non-resident shareholders in countries without double taxation treaties, the marginal tax rate amounts to 55 per cent.

The marginal tax rate is paid from the first shekel of taxable income, which is 1 per cent higher than that of individuals. The company rate is not progressive.

The law also provides for the creation of "family" and closed-property companies where the tax liability is either transferred to one of the shareholders (in the former) or split among the shareholders (as in the latter). However, such companies may be advantageous only in special circumstances (e.g. family-held shares, certain types of operations, etc.). This is one of the four instances in Israeli tax law in which a company can shed its "corporate veil."

Industrial companies are subject to the same taxes as regular companies, except in the case of retained earnings. The income tax on retained earnings is levied at a rate of 8 1/2 per cent, provided certain conditions are met. These include a requirement to reinvest at least 30 per cent of all retained earnings (plus the proceeds arising from the sale of fixed assets in tax year) in fixed assets during the following three years, and in progress and development.

## Keeping inflation at bay

By SIMON LOUISON  
For The Jerusalem Post

TEL AVIV. - The inflation disease has demonstrable causal links, like smoking and cancer, but governments, like habitual smokers, prefer to see those who don't contract the sickness rather than face facts.

Visiting American economist Arnold Harberger says that through their failure to face reality governments blunt their nations' economic growth through policies that distort, or try to distort, economic facts. Harberger, who teaches at the University of Chicago and the University of California, Los Angeles, is a world authority on government economic policy problems, particularly in Latin America where hyperinflation is often the result of mistaken policies.

Harberger was in Israel last week for the fourth Pinhas Sapir economic conference. He has acted as a consultant for a number of the major international banks such as the International Monetary Fund, World Bank and the Inter-American Bank, but the professor was unwilling to assume the role of "instant expert" on Israel's economic problems.

"Don't ask me to tell you how to draft the next Israeli tax law," he told a lunchtime audience of the Israel Centre for Social and Economic Progress. However, he was willing to generalize on his experience to show the linkages between gov-

ernmental policies and inflation.

"When governments lean more heavily on the banking system for their financing and expand the rate of credit, they fall more frequently into the inflationary trap," he said.

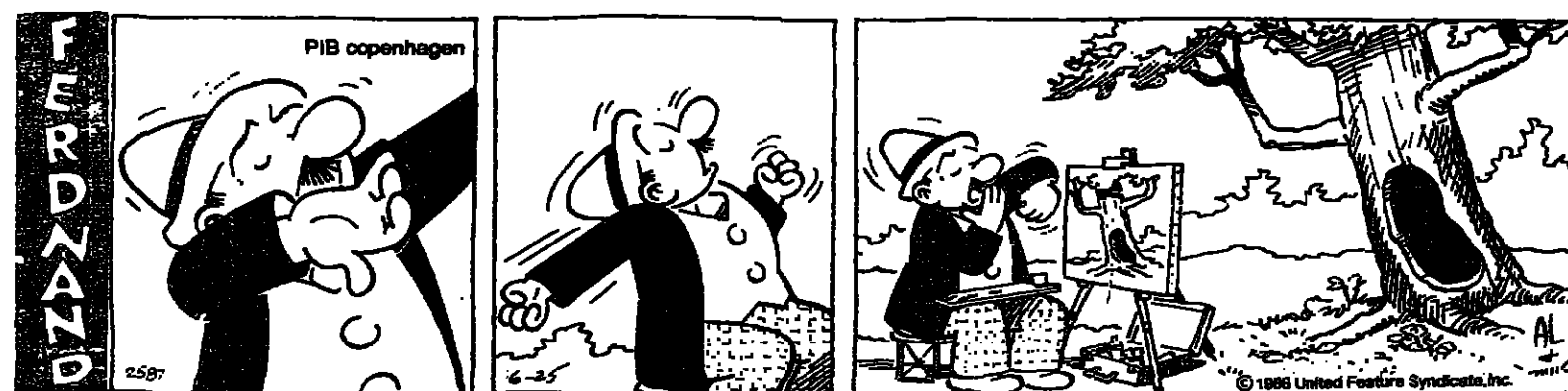
"The temptation is always present for governments to do what is easy." So what are the mistaken policies that lead to hyperinflation and what kinds of things can governments do to extricate themselves?

First and foremost the budget has to be brought under control as does the growth of the money supply. A common mistake is for governments to indulge in "false technicism" -

attending to the minutiae of policy while ignoring the larger aspects. Excessive import substitution as a component of trade policy is a common trap. Harberger says excessive protection can be especially harmful for small economies.

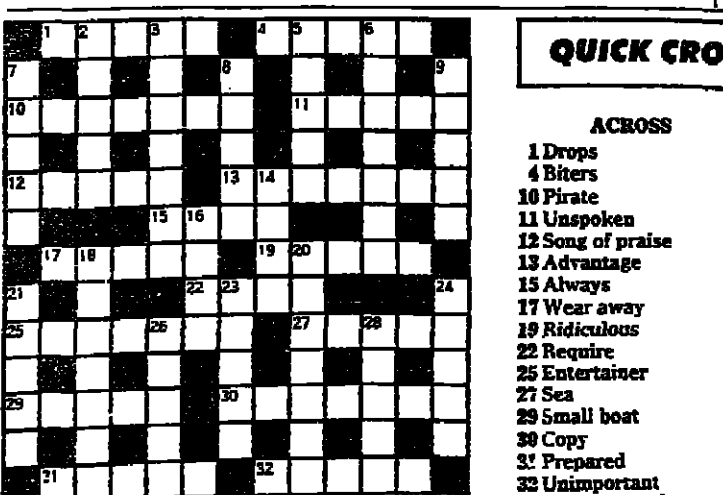
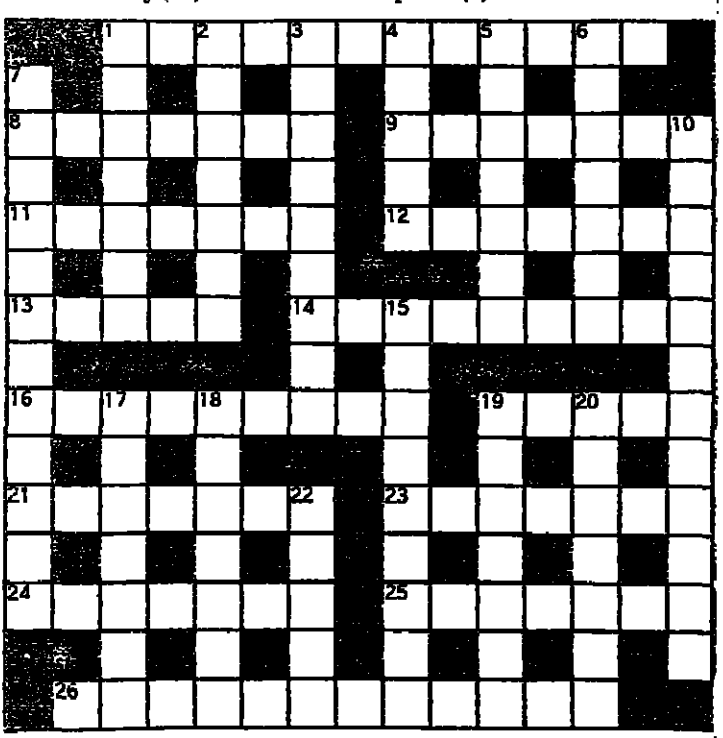
It is extremely desirable to have a uniform tariff for all goods and services, whether for capital or consumer products. An overly-protected domestic economy reduces the incentive to export.

Taxes should be easy to administer, simple and neutral. Value-added taxes have proliferated around the world because of the soundness of the principle. On the other hand, excessive tax incentives should be avoided, and income tax should have a top marginal rate of 50 per cent.



## CROSSWORD

- ACROSS**
- 1 Attractive ribbon put to sound use (8,4)
  - 8 Intent on Eastern development (7)
  - 9 He's not yet qualified as a sovereign employee (7)
  - 11 Shout, but no longer make demands (7)
  - 12 The sound of traffic in a metropolitan area? (7)
  - 13 To call up about a woman is all right (5)
  - 14 Awful scene lest solution can't be found (9)
  - 16 Painstaking preparation (9)
  - 19 Music man given spot by royal characters (5)
  - 21 Threatens to finish in bad spirits (7)
  - 23 Love turning up some time before Easter loaded with cash (7)
  - 24 Not one can get in there (7)
  - 25 Making many a turn round catch will generate a current (7)
  - 26 Leading players sprang to it so excitedly (12)
- DOWN**
- 1 Country doctor, a fabulous old bird, joining the company (7)
  - 2 Making points in class can have a devastating effect (7)
  - 3 Judges may find a time's set (9)
  - 4 One's allowed to see this little place (5)
  - 5 Worry about raising golden blossom (3,4)
  - 6 A worker falling in a heap on the roof (7)
  - 7 Speed check (12)
  - 10 The recording is not right nor is it great (12)
  - 15 Article on church or island, personage providing a link (6,5)
  - 17 A man putting on a quiet and industrious guy (7)
  - 18 The life range (7)
  - 19 Dives has bungled charge in addition (7)
  - 20 It may be so steep she'll write (7)
  - 22 Youngster bearing with a pride (5)



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## CORPORATE TAX RATES

	Regular	Industrial or Hotel	Approved (a)
1. All earnings are retained:			
Company tax	40	40	30
Income tax	21 (35%)	5 (8 1/2)	—
Total	61	45	30
2. All earnings distributed to Israel resident shareholders:			
Company tax	40	40	30
Income tax	—	—	—
Corporate Tax	40	40	40
Top tax on shareholders' dividends	27 (b)	27 (b) (45%)	10.5 (15%)
Total	67	67	40.5
3. All earnings distributed to non-resident shareholders:			
Company tax	40	40	30
Income tax	—	—	—
Corporate Tax	40	40	30
Tax withheld from dividends	15 (c) (25%)	15 (c)	10.5 (c) (15%)
Total	55	55	40.5

The income tax rates shown here in brackets apply to taxable income, less company tax; the corresponding percentages of total taxable income are shown in the columns of this table.

(a) During the regular seven-year benefit period, these benefits may vary, as shown above.

(b) If the company is registered on the Tel Aviv Stock Exchange, the 35% tax withheld at source constitutes an Israeli shareholder's maximum tax liability.

(c) Unless lesser amount set by treaty.

Source: Israel Investment Authority.

## ERETZ Magazine— Winter 1987

- In this edition:
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  - Desert delights: The ERETZ Guide to Travel in the Negev Highlands
  - "Delivering the Goods" - The Nabatean Spice and Perfume Route
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## Peretz's choice

The interior minister, Rabbi Yitzhak Peretz, has taken a wise and honourable decision.

He chose to resign his post, as well as cabinet membership, rather than register Shoshana (Susan) Miller, the Reform convert, as an unqualified Jew in her ID card, as the High Court bade him do. Yesterday he communicated his decision in a letter to the premier, and by word of mouth to the Knesset. Next Sunday he will presumably inform the cabinet of his intention, which will take effect within 48 hours, unless taken back during that time.

The big question now is whether the Shas leader will stick to it through the next critical six days, or whether he will give his assent to an alternative face-saving formula which Shas's coalition allies from the Right and the Left, but especially from the Right, will doubtless be eager to devise in case that would allow him to stay at his post.

As an Orthodox cleric heading an ultra-Orthodox party, Rabbi Peretz understandably views Reform as a blight on Judaism, and Reform conversion as a bad joke. For him as government minister to actually certify as a Jew-by-nationality a non-Orthodox, let alone a Reform, convert who has not even formally undertaken to observe all the *mitzvot*, is totally unacceptable.

Israeli Jews who consider themselves "secular," or even "traditional," and who do not observe most of the *mitzvot*, may marvel at Orthodox's adherence, in the matter of conversions, to the slogan, "Better fewer than better." But the rabbis, much concerned as they are over the dwindling numbers of Jews when talk turns to abortions, are only too happy to put up as high a barrier as possible when former gentiles converted by Reform or Conservative rabbis seek to join the community of Jews in the Jewish state.

That is what Rabbi Peretz saw as his bounden duty to do when Ms. Miller threw the gauntlet down to him by asking to be issued a proper ID card. First he tried to have her registered as "Jew (convert)," which would at least have served to alert the rabbinical authorities to the need to check her credentials before allowing her to be married; and would have served as precedent in all future cases involving non-Orthodox converts.

But the solution was harshly criticized as an evasion of the real issue by many of Rabbi Peretz's fellow clerics and, more importantly, it was knocked down as discriminatory by the High Court.

Next, the interior minister proposed a legislative remedy to his dilemma through the addition of an extra category of "former nationality" in all converts' ID cards. But the implied confusion of nationality with citizenship did not commend it to the majority of the Knesset Law Committee. Blaming his failure mainly on the Likud, Shas's coalition patron, Rabbi Peretz, backed to the hilt by Shas's Council of Sages, decided to step down and leave the cabinet, though not the coalition.

This appeared to distress both major parties: the Likud, because the loss of Shas's support in the government, though not of crucial significance, would be politically undesirable, and the Alignment, because it too has a stake in cultivating friendly ties with the religious Sephardi party. Attempts to smooth things over with Rabbi Peretz can only be successful, however, by punching another huge hole in the *status quo* and by thus triggering a far graver crisis.

## Jerking knees

THE EMERGENCE of a rational economic programme is threatened, at the embryonic stage, by death through knee-jerk reactions based on attitudes that have either been proven wrong, or are out of date, or both.

The Israeli political economy displays four separate, though often linked, forms of knee-jerking. One is the ingrained belief, held by many academics who are gratefully supported by industrialists and some ministers, that the answer to every problem is devaluation. This creed of "when in doubt, devalue," is the primary reason that the country suffered 13 years of rising, and unnecessary, inflation, until imminent disaster forced the adoption of a new approach in July 1985.

Its supporters refuse to come to grips with the now-stale discovery that, in a situation of near full-employment and chronic labour shortages in many sectors, and with full and rapid linkage operating throughout the economy, devaluation equals higher costs equals higher prices equals no net gains for anyone.

Then there are the devaluationists' cousins, the protectionists. For them, it is always "too early" in terms of the country's economic development to allow local industry to face competition from imports, so that tariff barriers have to be kept a mile high. Even if reciprocal trade agreements force some reductions in, say, customs duties, they want an alternative form of protection—say, purchase taxes—to be utilized.

One of the protectionists' arguments is borrowed from an even more dogmatic form of knee-jerking. This is the ascetic school of anti-consumptionism, whose credo is that spending one's own money is bad, and spending borrowed money totally reprehensible—if done by private citizens. But by some magical transformation, when the government spends the citizens' money, or borrows it at huge cost to later governments, that is fine.

The corollary to this is, of course, that the safest thing to do with people's income is to tax away as much as possible, leaving them dependent on government handouts, distributed through diverse bureaucratic channels, in order to scrape through.

In most market economies, and a growing number of centrally-controlled ones as well, these doctrines are viewed as obsolete and mistaken in the best case, and as pernicious nonsense in the worst. Israel represents one of the classic case studies that supports this criticism, since it has been freer trade that has driven export growth and employment over the last decade, while puritan anti-consumptionism and the punitive direct and indirect taxation rates it has fostered have been a key factor in driving Israeli's money and brains abroad, and in preventing Diaspora Jews from moving their money and persons here.

Finally, there are the most ingrained knee-jerkers of all—the cabinet ministers. The unanimous stand of every departmental minister, irrespective of any party or ideological line, is against cuts in his or her spending, on the grounds that "the red line" has long since been passed, and that in fact only larger budgets could save the nation from multiple disasters. For these politicians, of course, private consumption is bad, higher taxes are desirable, and protectionism and its foster-child, government-financed bailouts of lame ducks, are politically useful.

It will need tough talking and firm leadership from the top if all these knees—jerking in unison like a chorus line—are to be stilled.

## economic plans



Gad Ya'acobi (Uzi Keren)

sensitivity," Ya'acobi declares. "Nissim said he had a majority in the cabinet behind him. Well, it turns out that he hasn't. But suppose the cabinet had agreed to his wholesale abolition of tax exemptions. He would have had to bring all this to the Knesset, seeing that several laws would need amending. And what kind of reception did he expect, with 400,000 disabled persons and 400,000 old-age pensioners at the

THE FLAG is a precious heritage, whose exposure should not be abused. It is unfurled on particular occasions, and always for a good reason. Ships carry it on the prow while in international waters to indicate the country they belong to.

Battalions on the march parade it as the emblem of the country they are defending. The president of the state has it by his side when receiving foreign potentates. Citizens of Israel decorate their house and garden with banners on Independence Day to commemorate the restoration of Israeli nationhood.

The flag should not be displayed in vain. Its presence arrests attention. People feel, when they see one, that something important must be happening. It should not be employed casually as an idle piece of decoration, like a weathercock.

Nor should it be exhibited by people against their will. Individuals who, in their heart of hearts, disdain the Israeli flag should not be required to handle it. The Cohen-Avidov law vulgarizes our national emblem by making its display compulsory.

car levy" "Customs are to be reduced by \$200 million, owing to our free-trade agreements with the U.S. and the European Community. The Treasury offsets this by imposing NIS 60m. of purchase taxes. Why not NIS 100m. — instead of slicing [this time] the health budget?"

Ya'acobi would like to see some additional expenditures. He deplores the Treasury's failure to assist exports. "In 1987 our dollar influx will drop by \$1.7b., due to the end of U.S. emergency aid and to the change in import prices. If we get a reduction in the interest rate on our debt to the U.S. government, that will save us \$200m. — reducing the shortfall from \$1.7b. to a still shattering \$1.5b.

"Yet our exports are being allowed to sag, hampered as they are by increased production costs while the exchange rate remains fixed." He advocates financial assistance to exporters for a transition period, to prevent a devaluation.

"Our situation is not an emergency, we don't need panic measures," Ya'acobi concludes. "If there is no talk of devaluation (as I hope there is), whether they consent or not.

If an Arab mayor, or the rector of an ultra-Orthodox educational establishment, or the secretary of some left-wing kibbutz that supports the idea of a bi-national state, should fail to put up the flag, in will walk uniformed keepers of the national conscience, demanding to know whether he wants to end up in jail.

Why stop at that? Members of the fanatical right may try extending this flag-waving obligation to other institutions — e.g., hotels. I say hotels because they happen already to be saddled with rabbinical "don'ts" which are the other side of the coin to such jingoistic "do's." This week, for example, they are arbitrarily forbidden (on pain of losing their *kashrut* licence) to run a New Year party; only a Hanukka party is allowed.

READERS MAY THINK I am making heavy weather of this national flag and New Year party business. Other countries have weird regulations on all sorts of subjects; we should be allowed our eccentricities. I admit that the Cohen-Avidov law is a minor event, but its effects, as far

## Mid-life crisis

David Chinitz

ISRAEL, at the age of 39, is going through a mid-life identity crisis. The signs are everywhere. Father figures such as Ben-Gurion and Pinhas Sapir have not been replaced; we have a leadership crisis. A strong sense of national identity manifested by consensus on most major issues has collapsed. We can no longer sum up our foreign policy by saying, "We'll talk to anyone who will recognize us." Our military and defence posture has long since discarded the relatively uncomplicated credo that "we will maintain a first rate defence force, but we will always let the other side be the aggressor." We no longer believe that the economy can be planned by a small oligarchy of government entrepreneurs.

These core beliefs have faded, but have not been given up easily or entirely. The alternatives for a new national consensus have been found lacking. Neither the "Integral Israel Movement" nor "Peace Now" appears to appeal to a majority of Israelis. Free-market ideologies seem to be perceived as having some qualities, but the national consensus doesn't appear to be in favour of abandoning the welfare state. Tolerance and pluralism in matters of religion are in vogue, but few people, even in the Reform, Conservative or Citizens Rights movements, are advocating a total separation of religion and state.

We have been trying to hold on to all the options. The ultimate expression of this is the national unity government, with its requirement that "all parties must be consulted." In other words, everyone, starting with our 25 or 30 ministers, each with his own set of interests, has to be kept happy enough to keep the government going.

In the absence of a guiding policy grounded in national consensus it is difficult to set priorities and carry them out. It is frightening to commit oneself to a well-thought-out plan of action and easier to just do a bit of everything.

THE PROBLEM with this approach is that tough trade-offs that have been evaded have a way of eventually catching up with you. The economic reform package needs to be comprehensive, but it will inevitably be watered down by the compromises necessary to "satisfy everyone." Worse still, even if the plan is adopted in its entirety, its interdependencies with other aspects of social policy appear to have merited little attention.

Do government regulations, not only regarding the capital market, but also areas such as health, work safety, pollution, licensing, and zoning impede the economic growth presaged by supply side economics? What about the endless thicket of regulations and instructions in the overlapping jurisdictions of government ministries and local authorities? Has anyone taken a look at how difficult it can be to build a home or start a business in this country? It's much easier to spend freed money on consumption of imports.

What of the internal organization of industry? Are firms in Israel organized to compete efficiently in world markets? Do firms and individuals have options other than consumption for the money they will receive from tax reductions? Can a strong record in R&D be complemented by efficiency in production and marketing?

Is the educational system producing entrepreneurial, innovative thinkers or are changes required in curricula? Is the *bagrut* system likely to produce the kind of managers necessary to run the economy? Do the schools promote long-term thinking or an emphasis on short-term gains? Perhaps instead of inculcating a predetermined set of values we should be teaching our children how to think. It does little good to talk about cutting the education budget without reference to what goes on in the schools and especially its influence on labour markets and human capital.

CUTTING ministry budgets without altering the basic structure and content of their activities is no solution. It does not produce more efficiency. What it does do is create expectations that existing entitlements will never be questioned; that job descriptions and procedures will never change. These expectations become pressures for increased allocations in the future, undoing whatever is achieved by budget cutting in the present.

The lack of integrated strategic thinking pervades foreign policy as well. In Judea and Samaria we sit passively waiting for negotiations to start, leaving the initiative in the hands of others. In the name of not revealing our hand before the negotiating game starts, we've mired ourselves in the mud of occupation and repression. King Hussein appears content to let us stew in our own juice. Are we going to keep him contained indefinitely?

The time has come for more comprehensive policy-making. When the term of the national unity government is up, we will have gone as



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## THE TAX BURDEN/Jeff

## The cor

The Israeli Income Tax Ordinance levies profits, after deductions, of companies registered in Israel and do most of their business in Israel. Companies that do not meet these criteria, foreign companies, are taxed only on the profits they earned in Israel.

Both kinds of companies are subject to a tax which is calculated on taxable income minus allowable deductions, but not dividend sets ceilings on deductions for such things as severance fund allocations, fringe benefit accounts. Losses incurred in Israel may be carried forward indefinitely. Dividends received by shareholders, minus withholding tax, are exempt from tax. Firms are also subject to an income tax on total taxable income less company tax dividends actually disbursed.

The tax structure differentiates among non-industrial, companies, industrial companies, and "approved" enterprises.

Non-industrial companies pay a company tax on net taxable income. Net income after company tax is ordinarily subject to an additional 35 per cent if the income is retained. The marginal tax rate of 61 per cent (see withholding tax on dividends paid to local shareholders 10 years ago. Since then they have been driven increasingly into the arms of the Palestinians extremists.

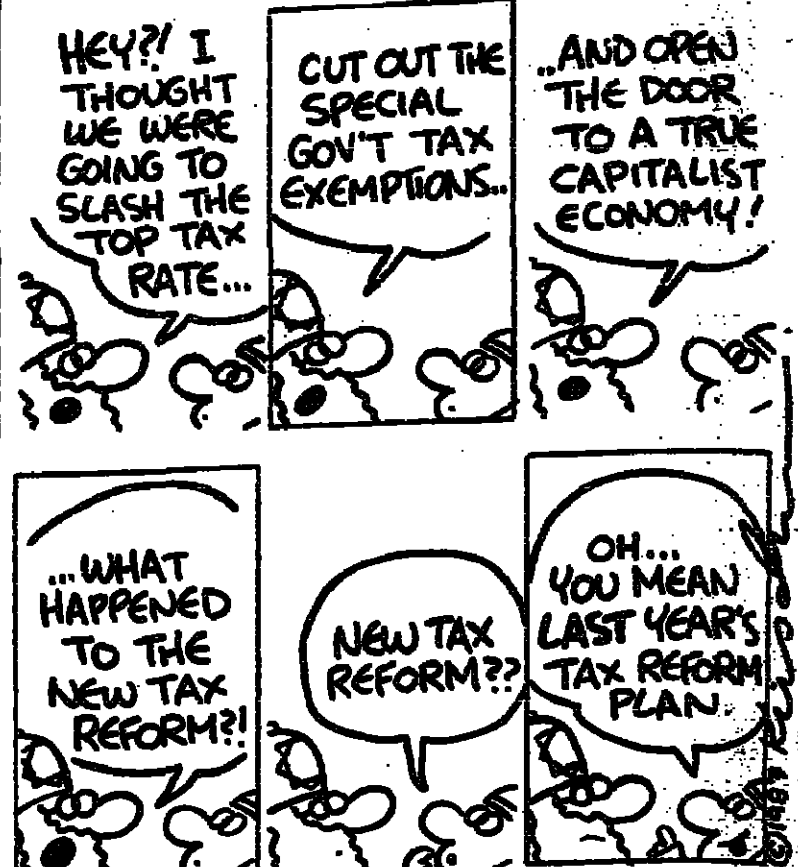
Responsible in part is the PLO, but we have no control over that. What we do have control over is our own attitudes, that is, the attitude of individual Israelis in their day-to-day contacts with Arab fellow-citizens. Those contacts have been marred of late by outbreaks of narrow Jewish ultra-nationalism. Hitting the Arabs does not stop terrorism; it foments it.

The flag law, in its present form and passed at the present time, is humiliating to Arab sensitivities. That is counter-productive. The declared aim of Israel's policy as expressed by both Likud and Labour is reconciliation. We should be looking forward to the time when Arab citizens will see the Israeli flag as theirs and will hoist it willingly on their own initiative. Our policies should be directed towards that end.

The Cohen-Avidov law contributes its mite to ensuring that such a situation of peace and brotherhood is never achieved.

The writer is a member of the editorial staff of The Jerusalem Post.

## Dry Bones



## READERS' LETTERS

### NO DISCRIMINATION IN TEXAS

To the Editor of The Jerusalem Post Sir, — I refer to the long, well written assault on the Reform Jewish movement by a Rabbi Shmuel Himelstein in your readers' letters column of November 23.

My mother was a convert, as is my wife. My mother and father were married by a distinguished Reform rabbi after my mother became Jewish. She, like my father, was a dedicated supporter of Israel and all things Jewish. She was so involved in all areas of Jewish life that few people who knew her would believe that she was a convert.

My wife is involved in all areas of Jewish life, including Israel, and has a deep sense of commitment to our religion. At her urging, we will be spending February in Israel.

Judaism and Israel have even a large part of my life. Our small Beaumont Jewish community regularly raises more than \$300,000 in our Jewish Federation, almost all of which goes to the UJA and to a number of Orthodox-related charities in Israel.

The long diatribe by Rabbi Himelstein about the authenticity of Re-

form Jews, our rabbis, and our converts, is quite offensive to me.

In all the years I have served as President of our Federation, I have never turned away anyone who asked our help because he/she was a different Jew from most of our local congregants. We have a large number of Orthodox rabbis and lay people come to us for funds. It never occurred to me that they thought that the Reform and Conservative Jews of Beaumont were some inferior type of Jews... or perhaps, not even Jewish at all.

It is a good thing for the working of the whole Jewish world that opinions like those of Rabbi Himelstein will not be seen by Jews who live in places like Texas. It makes for a more close-knit Judaism if such bias and vitriol go unnoticed.

However, I am going to cut out the letter by Rabbi Himelstein and keep it in my desk. I think we ought to ask people who come here for our help if they feel, like him, that we are not really Jews at all. We are not going to give to those who despise us.

EDWIN GALE  
Beaumont, Texas.

### POOR TASTE IN ADVERTISING

To the Editor of The Jerusalem Post Sir, — I once read a hilarious book about the American advertising business. In one of the best scenes, a group of admen are sitting through a gruelling brainstorming session trying to think up a good slogan for pushing some Japanese product. Suddenly, one of them jumps up excitedly and cries: "I've got it! How about: 'From those wonderful people who gave you Pearl Harbor.'"

Everyone has a hearty laugh (including the reader), and they go back to work to find a usable slogan. Naturally they don't for a moment consider using the admittedly funny sick joke.

The Israeli advertising industry seems to have no such standards of good taste. Any silly, puerile bathroom joke will do. At a recent visit to a cinema, I was exposed to the Tadiran refrigerator ad for the first time. ("How big do you want it...")

"I've got one this big at home... I want a bigger one..."

As a woman, I was deeply offended that a serious company

could be trying to sell me an important, expensive item through smirking sexual innuendo. But the men I have spoken to tell me they find the ad deeply disturbing. The idea that their wives are being offered "a bigger one than you've got at home" is sexually threatening. If I were on the market for buying a refrigerator today, I would, on principle, not even consider Tadiran because of 1) the insult to my intelligence, and 2) the inevitable "jokes" of friends about how I had finally gotten "a bigger one."

I can understand that Israeli admen have schoolboy mentalities; but, surely, some executive at Tadiran must have approved the tasteless ad. I cannot, for the life of me, understand why a serious company would want to spend so much money on an ad that deeply offends would-be customers of both sexes. It's not only bad ethics, but also bad business.

BATHSHEVA BEN-ISRAEL  
Herzliya.

### NOT THE MUFTI'S HOME

To the Editor of The Jerusalem Post Sir, — In Public faces of December 5, Mark Segal says that the Jaffa residence of the French ambassador was formerly the seaside home of Haj Amin el-Husseini, the infamous Mufti of Jerusalem.

In fact, the villa in question belonged to Mohammed Abdulrahman, a wealthy businessman who was in-

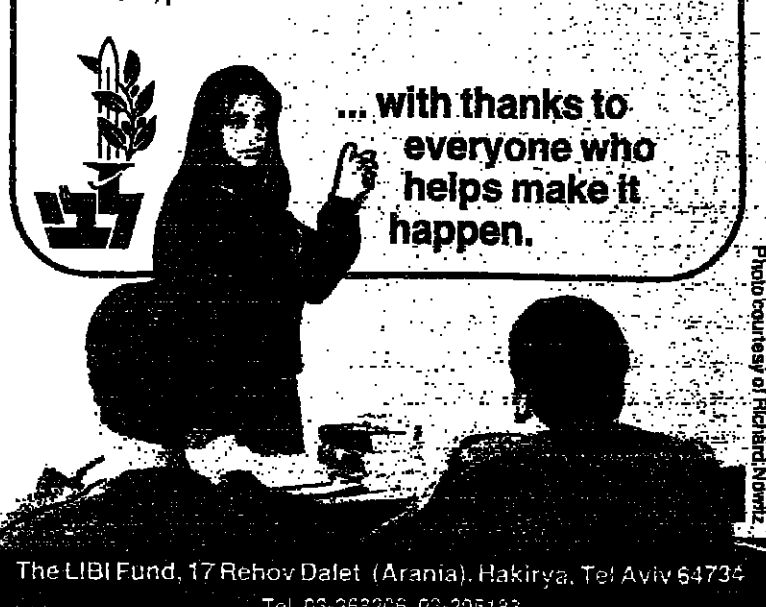
terned for some time in a detention camp during the British Mandate owing to his ultra-nationalistic activities. He was one of the few Jaffa residents who did not flee from there during the 1947-48 events, and thus was able to retain his property. He left Israel legally and sold his house to the French government.

EMILIO TRAUBNER  
Tel Aviv.

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